

# Vote 7

## National Treasury

### Budget summary

R million	2009/10				2010/11	2011/12
	Total to be appropriated	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
<b>MTEF allocation</b>						
Administration	188.8	181.3	1.3	6.2	200.0	211.8
Public Finance and Budget Management	208.5	199.7	7.4	1.4	210.2	217.4
Asset and Liability Management	64.4	63.7	–	0.8	67.3	69.1
Financial Management and Systems	611.7	610.9	–	0.8	644.0	669.3
Financial Accounting and Reporting	123.4	74.0	48.6	0.8	136.8	144.3
Economic Policy and International Financial Relations	87.6	81.9	5.0	0.7	94.5	99.3
Provincial and Local Government Transfers	14 410.6	–	14 410.6	–	12 433.3	14 415.3
Civil and Military Pensions, Contributions to Funds and Other Benefits	4 920.3	34.2	4 886.1	–	2 398.6	2 542.5
Fiscal Transfers	41 060.9	–	41 060.9	–	32 410.5	13 218.8
<b>Total</b>	<b>61 676.2</b>	<b>1 245.6</b>	<b>60 420.0</b>	<b>10.6</b>	<b>48 595.1</b>	<b>31 587.9</b>
<b>Direct charge against the National Revenue Fund</b>						
Provinces equitable share	231 050.9	–	231 050.9	–	253 670.5	272 934.1
State debt costs	55 268.0	55 268.0	–	–	60 140.0	66 826.0
General fuel levy sharing with metros	6 800.1	–	6 800.1	–	7 542.4	8 531.1
<b>Total expenditure estimates</b>	<b>354 795.2</b>	<b>56 513.6</b>	<b>298 270.9</b>	<b>10.6</b>	<b>369 948.0</b>	<b>379 879.0</b>
Executive authority	Minister of Finance					
Accounting officer	Director-General of the National Treasury					
Website address	www.treasury.gov.za					

### Aim

*The aim of National Treasury is to promote economic development, good governance, social progress and rising living standards through the accountable, economical, equitable and sustainable management of public finances.*

### Programme purposes

#### Programme 1: Administration

**Purpose:** Provide strategic leadership and support services. Manage the department.

#### Programme 2: Public Finance and Budget Management

**Purpose:** Provide analysis and advice on fiscal policy and public finances, intergovernmental financial relations and expenditure planning and priorities. Manage the annual budget process and provide public finance management support.

#### Programme 3: Asset and Liability Management

**Purpose:** Manage government's financial assets and liabilities.

## **Programme 4: Financial Management and Systems**

**Purpose:** Manage and regulate government's supply chain processes. Ensure standardised financial systems.

## **Programme 5: Financial Accounting and Reporting**

**Purpose:** Promote and enforce transparency and effective management of revenue, expenditure, assets and liabilities of departments, public entities, constitutional institutions and local government, to facilitate accountability and governance.

## **Programme 6: Economic Policy and International Financial Relations**

**Purpose:** Provide specialist policy analysis and advisory services in macroeconomics, microeconomics, the financial sector, taxation, regulatory reform, regional integration and international financial relations.

## **Programme 7: Provincial and Local Government Transfers**

**Purpose:** Manage conditional grants to the provincial and local spheres of government.

## **Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits**

**Purpose:** Provide for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

## **Programme 9: Fiscal Transfers**

**Purpose:** Transfer funds to other countries and multilateral and domestic institutions and public entities, including international development institutions of which South Africa is a member.

## **Strategic overview: 2005/06 – 2011/12**

The Public Finance Management Act (1999) outlines the functions for which National Treasury is responsible. These are mainly: promoting government's fiscal policy framework, coordinating intergovernmental financial and fiscal relations, managing the budget process, overseeing the implementation of annual budgets, and monitoring the implementation of provincial budgets.

Over the MTEF period, National Treasury will seek to maintain macroeconomic stability, while promoting sustainable economic growth and job creation. National Treasury will embark on a number of socioeconomic, fiscal and financial management reforms, while managing government assets and liabilities and improving budget processes and international financial relations.

### **Fiscal reform, public finances and budget management**

In the context of a marked deterioration in the global economic outlook and the associated slowdown in the South African economy, government's fiscal policy stance and budget plans have been revised considerably since the 2008 Budget. Longer term growth and development remain central to the policy stance, but fiscal and financial support measures aimed at sustaining investment, economic activity and employment in the face of adverse market trends will be required over the short to medium term.

Following a period of rapid economic growth and a moderate budget surplus, the fiscal position is expected to move into deficit in the period ahead. Supporting the investment plans of state owned enterprises, realigning the role of development finance institutions and targeted tax and spending adjustments will contribute to mitigating the effects of the global slowdown.

The Treasury's work on longer term expenditure monitoring, review of programmes and capital projects and support for improved financial management of programmes and government agencies is particularly important

in the current circumstances. The Treasury's work will continue to focus on value for money and improved efficiency in public service delivery, as well as accelerating programmes that have proved to be effective in contributing to transformation and broadening development. Programmes and projects that will come under the spotlight in the period ahead include:

- the expanded public works programme, which will be supported through a new incentive based funding arrangement in the 2009 Budget
- the financing requirements of the 2010 FIFA World Cup, including completing stadiums and meeting other infrastructure and logistical commitments on time
- health, education and other departmental budgets that need to be adjusted to the phasing in of new public service remuneration arrangements and associated initiatives to address management and service quality challenges
- social security and social insurance reforms, including unemployment benefits, health insurance and contributory retirement savings arrangements, which need to be implemented
- the criminal justice system, which needs to be modernised and renewed, including improved court processes and detection capacity and forensic support services
- planning and project assessment in the energy, transport, communications and other infrastructure sectors, which needs to be improved.

### Intergovernmental fiscal relations

Intergovernmental fiscal relations are an important component in the intergovernmental system. With the legal and policy frameworks now in place, the focus can shift to cooperation between the relevant spheres of government, especially in the areas of capacity building and improved service delivery.

Siyenza Manje, the capacity building and support programme being implemented in municipalities since 2007/08, is being undertaken by the Development Bank of Southern Africa. The project aims to build capacity and sustainability in distressed municipalities. National Treasury co-funds the rollout while the Development Bank of Southern Africa employs the necessary expertise. Additional funds have been allocated to this important initiative to speed up the hiring of experts and young professionals with academic qualifications and expertise in the areas where there are skills shortages in the local government sphere.

### Managing public sector debt and government assets

A further priority for National Treasury is the prudent management of government's financial assets and liabilities, including the domestic and foreign debt portfolios. Government's debt management policies will continue to support the broader macroeconomic objectives and borrowing by state owned enterprises. Increasing the operational efficiency of public entities through financial oversight remains a focus area.

### Financial and regulatory management reform

A key objective of National Treasury is to ensure a robust and effective regulatory system for the financial and banking sectors, and to respond to the need to expand access to households and businesses not traditionally covered by the financial sector. A regulatory impact assessment function has been designed and is being implemented in conjunction with the Presidency to enable better Cabinet oversight of regulations and laws.

Implementation of the integrated financial management system is progressing and the procurement module and asset management modules will be tested in lead departments in 2009/10.

While there has been an improvement in the audit reports of many public entities, there are still serious challenges in financial management and governance. The rolling out of the financial management capability model by the office of the accountant-general is aimed at providing an accurate indicator of the weaknesses; and the extent of the need for support and capacity building. This will help focus support on where it is most needed.

## The infrastructure delivery implementation programme

The infrastructure delivery implementation programme has brought about significant improvement in the management of infrastructure through improvements in the planning and project management practices guided by the toolkit. The programme was initially implemented in the provincial departments of education and public works from 2006/07, after a pilot programme was carried out in the Department of Education in 2004.

## Organisational environment

National Treasury's organisational environment and strategic direction are supported by four internal strategic priorities: improving coordination and communication; matching resources to workloads; developing human resource strategies to address attraction and retention challenges; and developing management skills.

The attraction and retention of skills continues to be a challenge. Improving the already successful internship programme will continue to add to the talent pool, especially in the scarce skills area. Another programme that provides a way for prospective chartered accountants to receive training is the training outside of public practice programme, and its success to date suggests that there is potential for more collaboration between National Treasury, the South African Institute of Chartered Accountants and the local government metropolitan municipalities to expand the programme to a wider public sector base. The proposed expansion should attract more trainees to the public sector.

## Key policy developments

### *Improving accountability*

National Treasury continually stresses the importance of publishing regular and reliable financial and non-financial information about government functions and activities, focusing on improved accountability to both Parliament and the public to make planning and budgeting more effective. In support of this principle, in 2009/10, it will continue its efforts at aligning the allocation of resources with expected outputs from departments in line with its focus on improved performance information and better formulated programme objectives.

### *Review of the Division of Revenue Bill*

The annual Division of Revenue Bill is being reviewed to further streamline the intergovernmental grant system. The ultimate objective of the review process is to ensure that the grant system contributes to better and quicker decision making, improved accountability and accelerated service delivery. In relation to implementing the Municipal Finance Management Act (2003), finalising the regulatory framework for the transfer of assets of municipalities and the preparation of new budget formats for implementation in all municipalities over the medium term remains a priority.

### *Monitoring the implementation of the Public Finance Management Act*

The Public Finance Management Act (1999) is now in its ninth year of implementation, and to date, institutions have made significant progress with its implementation. Yet there are areas of financial management that still require improvement. National Treasury is thus aiming to determine the level of financial maturity that departments have reached since the beginning of the implementation of the act. It has commissioned the development of a data bank of questions against which departments will be evaluated. The questions will be linked to a financial management capability maturity model, which will give a good indication of how financially mature a department is.

### *Improving financial oversight of state owned enterprises*

State owned enterprises are important for lowering the cost of doing business in South Africa and promoting economic growth and development. They continue to invest in financial resources and key infrastructure projects that are intended to attract higher levels of sustainable investment. Their operational efficiency can be improved by better financial oversight. Financial modelling, including setting realistic capital structure and dividend payment targets, as well as assessing funding alternatives, should improve future financial

performance and sustainability. The assessment of their treasury operations will encourage greater adherence to best practice in treasury management.

## Selected performance and operations indicators

**Table 7.1 National Treasury**

Indicator	Programme	Past			Current	Projections		
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Value of government gross annual borrowing	Asset and Liability Management	R31.4bn	R34.8bn	R16.1bn	R46.2bn	R109.2bn	R94.9bn	R87.5bn
Cost to service debt as percentage of GDP	Asset and Liability Management	3.2%	2.9%	2.6%	2.4%	2.2%	2.2%	2.3%
Net loan debt as a percentage of GDP	Asset and Liability Management	29.6%	26.4%	23.4%	22.6%	25.6%	27.1%	27.4%
Number of training courses presented on implementation of financial management reforms per year	Financial Accounting and Reporting	282	81	217	300	300	300	300
Number of individuals trained each year to assist with implementation of financial management reforms	Financial Accounting and Reporting	6 688	2 084	4 204	6 000	6 000	6 000	6 000
Percentage of identified transversal contracts with strategic sourcing principles introduced	Financial Accounting and Reporting	54.3% 32	72% 42	80% 47	85% 35	100% 20	100% 37	100% (59 contracts)
Number of beneficiaries receiving special pension payments	Civil and Military Pensions, Contributions to Funds and Other Benefits	6 059	6 112	6 234	6 359	6 486	6 616	7 200
Number of beneficiaries receiving post-retirement medical benefits	Civil and Military Pensions, Contributions to Funds and Other Benefits	69 007	67 141	68 417	69 767	71 117	72 467	72 467
Number of contributions to medical aid schemes paid on behalf of members	Civil and Military Pensions, Contributions to Funds and Other Benefits	72 799	72 799	67 780	71 169	74 627	76 119	79 500
Number of military pension benefits paid to beneficiaries	Civil and Military Pensions, Contributions to Funds and Other Benefits	6 885	6 885	4 630	6 468	7 024	7 054	7 054
Number of technical assistants assigned to each province each year to assist in building infrastructure delivery capacity through the infrastructure delivery improvement programme	Public Finance and Budget Management	23	23	30	34	34	13	0
Number of municipalities receiving hands-on support from the financial management grant each year	Provincial and Local Government Transfers	35	41	44	283	283	283	283
Total number of neighbourhood development partnership grant projects granted award status	Provincial and Local Government Transfers	–	33	72	80	90	96	100
Total number of neighbourhood development partnership grant projects under construction	Provincial and Local Government Transfers	–	–	4	7	15	40	50
Real growth in consolidated national and provincial public spending (excluding interest costs)	Public Finance and Budget Management	11.4%	10.2%	10.9%	11.5%	4.3%	1.5%	1.6%
General government savings as a percentage of GDP	Public Finance and Budget Management	(0.6%)	0.9%	1.7%	–	–	–	–

## Expenditure estimates

Table 7.2 National Treasury

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R million								
1. Administration	143.0	161.6	177.6	199.4	196.1	188.8	200.0	211.8
2. Public Finance and Budget Management	121.1	138.5	212.0	227.1	232.0	208.5	210.2	217.4
3. Asset and Liability Management	30.2	41.3	57.8	69.3	67.5	64.4	67.3	69.1
4. Financial Management and Systems	225.9	190.8	261.4	300.1	261.7	611.7	644.0	669.3
5. Financial Accounting and Reporting	61.3	71.4	105.2	212.2	208.5	123.4	136.8	144.3
6. Economic Policy and International Financial Relations	52.8	68.9	93.2	93.8	91.0	87.6	94.5	99.3
7. Provincial and Local Government Transfers	3 371.6	5 443.7	6 992.7	7 938.0	7 651.7	14 410.6	12 433.3	14 415.3
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 010.9	2 048.7	2 176.8	2 313.7	2 296.0	4 920.3	2 398.6	2 542.5
9. Fiscal Transfers	7 084.0	8 006.0	8 889.3	20 070.5	20 070.5	41 060.9	32 410.5	13 218.8
<b>Subtotal</b>	<b>13 100.7</b>	<b>16 171.0</b>	<b>18 966.2</b>	<b>31 424.2</b>	<b>31 075.0</b>	<b>61 676.2</b>	<b>48 595.1</b>	<b>31 587.9</b>
<b>Direct charge against the National Revenue Fund</b>	<b>186 203.6</b>	<b>202 945.1</b>	<b>225 738.6</b>	<b>257 935.9</b>	<b>258 290.9</b>	<b>293 119.0</b>	<b>321 352.9</b>	<b>348 291.2</b>
Provinces equitable share	135 291.6	150 752.9	172 861.5	204 009.9	204 009.9	231 050.9	253 670.5	272 934.1
State debt costs	50 912.0	52 192.2	52 877.1	53 926.0	54 281.0	55 268.0	60 140.0	66 826.0
General fuel levy sharing with metros	–	–	–	–	–	6 800.1	7 542.4	8 531.1
<b>Total</b>	<b>199 304.4</b>	<b>219 116.1</b>	<b>244 704.7</b>	<b>289 360.1</b>	<b>289 365.9</b>	<b>354 795.2</b>	<b>369 948.0</b>	<b>379 879.0</b>
Change to 2008 Budget estimate				17 428.9	17 434.7	53 868.2	45 587.5	36 148.5

### Economic classification

	51 522.8	52 844.9	53 742.8	54 886.9	55 196.8	56 513.6	61 447.7	68 190.1
<b>Current payments</b>								
Compensation of employees	199.4	230.9	272.7	314.3	318.3	334.2	368.8	395.1
Goods and services	403.3	415.5	588.3	646.6	597.5	911.4	938.9	969.1
<i>of which:</i>								
Administrative fees	6.9	7.6	9.7	10.2	10.2	7.6	7.4	7.0
Advertising	3.6	3.5	3.3	3.7	3.7	3.8	4.1	3.5
Assets less than R5 000	7.1	3.4	1.5	1.9	1.9	1.8	1.7	1.9
Audit costs: External	6.4	9.5	9.5	6.1	6.1	11.0	12.9	13.5
Bursaries (employees)	0.9	0.8	1.2	2.4	2.4	2.9	3.1	3.2
Catering: Departmental activities	0.0	2.1	2.6	2.9	2.9	3.3	2.7	3.4
Communication	8.0	5.6	6.2	6.5	6.5	6.6	7.1	7.5
Computer services	195.8	168.0	245.1	280.4	242.0	585.5	614.7	635.8
Consultants and professional services: Business and advisory services	77.4	112.1	176.5	162.5	153.9	115.4	130.8	129.9
Consultants and professional services: Legal costs	3.4	11.0	11.5	7.3	7.3	10.3	10.9	11.4
Contractors	3.1	2.8	1.5	8.2	8.2	4.2	3.3	2.3
Agency and support / outsourced services	0.1	–	–	12.1	12.1	6.8	7.4	7.3
Entertainment	2.0	0.2	0.3	0.6	0.6	0.5	0.5	0.6
Inventory: Food and food supplies	0.3	0.4	0.5	0.4	0.4	0.4	0.4	0.5
Inventory: Fuel, oil and gas	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3
Inventory: Materials and supplies	2.2	0.8	1.1	0.3	0.3	0.0	0.0	0.0
Inventory: Other consumables	0.8	0.7	0.9	3.2	3.2	1.6	1.6	1.7
Inventory: Stationery and printing	12.3	12.7	12.8	13.4	13.4	14.6	15.5	16.3
Lease payments	1.7	18.3	25.6	21.1	21.1	22.4	23.6	25.3
Owned and leasehold property expenditure	21.7	–	4.3	17.7	17.7	12.0	12.6	13.4
Travel and subsistence	23.0	26.4	38.7	42.0	41.7	38.8	42.1	43.5
Training and development	16.5	9.3	12.3	16.8	15.0	33.6	20.9	23.6
Operating expenditure	2.6	9.5	5.4	6.9	6.9	4.2	4.4	4.6
Venues and facilities	7.4	10.5	17.6	19.8	19.8	24.0	10.8	12.7
Interest and rent on land	50 912.0	52 192.2	52 877.1	53 926.0	54 281.0	55 268.0	60 140.0	66 826.0
Financial transactions in assets and liabilities	8.0	6.3	4.7	–	–	–	–	–



**Table 7.2 National Treasury (continued)**

R million	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
<b>Transfers and subsidies</b>	<b>147 764.0</b>	<b>166 259.8</b>	<b>190 948.9</b>	<b>234 463.0</b>	<b>234 159.0</b>	<b>298 270.9</b>	<b>308 487.8</b>	<b>311 676.9</b>
Provinces and municipalities	138 663.9	156 146.9	179 854.2	211 862.9	211 654.4	252 182.2	273 522.4	295 781.5
Departmental agencies and accounts	6 652.1	7 203.1	8 218.6	9 526.4	9 448.6	10 352.7	11 700.2	12 449.1
Universities and technikons	0.8	3.5	2.3	5.5	5.5	5.5	5.0	5.0
Public corporations and private enterprises	72.1	312.2	222.4	10 246.8	10 246.8	30 267.5	20 282.7	296.8
Foreign governments and international organisations	392.8	576.6	503.8	542.4	542.4	579.5	614.7	640.0
Non-profit institutions	0.1	–	0.1	0.1	0.1	0.1	0.1	0.1
Households	1 982.3	2 017.5	2 147.4	2 278.9	2 261.2	4 883.5	2 362.7	2 504.5
<b>Payments for capital assets</b>	<b>17.5</b>	<b>11.4</b>	<b>13.0</b>	<b>10.1</b>	<b>10.1</b>	<b>10.6</b>	<b>12.5</b>	<b>12.0</b>
Machinery and equipment	16.5	11.4	13.0	10.5	10.5	10.6	12.5	12.0
Software and other intangible assets	1.1	–	–	(0.3)	(0.3)	–	–	–
<b>Total</b>	<b>199 304.4</b>	<b>219 116.1</b>	<b>244 704.7</b>	<b>289 360.1</b>	<b>289 365.9</b>	<b>354 795.2</b>	<b>369 948.0</b>	<b>379 879.0</b>

## Expenditure trends

Most of National Treasury's direct expenditure goes towards transfer payments. These include provincial and local government transfers, civil and military pension payments, and transfers to the South African Revenue Service and the Secret Services. Between 2005/06 and 2008/09, expenditure increased from R13.1 billion to R31.4 billion, at an average annual rate of 33.9 per cent, due to a R10 billion transfer to Eskom for the subordinated loan in 2008/09.

Expenditure is expected to increase at a much slower rate over the MTEF period, from R31.4 billion in 2008/09 to R31.6 billion in 2011/12 at an average annual rate of 0.2 per cent. This is mainly due to increases in transfers to the infrastructure grant to provinces, the Eskom subordinated loan, the South African Revenue Service and Secret Services, and the slower rate of growth due to the efficiency savings that have been implemented and a revision of the department's baseline. Increased spending on the operational budget over the medium term is mainly due to the implementation of the integrated financial management system, the rollout of training programmes in conjunction with the Public Administration Leadership and Management Academy (PALAMA), improving the infrastructure development improvement programme, and implementing the back office support system.

The department is responsible for the main statutory transfers to provincial governments. More information on these transfers can be found in chapter 7 and annexure E of the 2009 Budget Review and the 2009 Division of Revenue Bill. The sharing of the general fuel levy for metropolitan municipalities, previously known as the Regional Services Council levy replacement grant, has been shifted to National Treasury from the Department of Provincial and Local Government from April 2009 and is included in the direct charges. There is also a provision for servicing government's debt obligations, which are a direct charge against the National Revenue Fund in terms of section 73 of the Public Finance Management Act (1999).

Over the MTEF period, savings of R210.2 million, R262.1 million and R269.8 million have been identified. They will be made under goods and services and transfers to public entities.

## Departmental receipts

The main items of revenue are the interest on government deposits and dividends received from the South African Reserve Bank. Over the medium term, revenue is expected to decrease from R5.1 billion in 2008/09 to R4.4 billion in 2011/12, at an average annual rate of 4.9 per cent. Interest on exchequer investments is affected by domestic and international interest rates, exchange rates and the level of government's cash balances.

**Table 7.3 Departmental receipts**

R thousand	Audited outcome			Adjusted estimate	Revised estimate	Medium-term receipts estimate		
	2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
<b>Departmental receipts</b>	<b>2 520 026</b>	<b>4 355 125</b>	<b>5 095 776</b>	<b>5 084 709</b>	<b>5 623 300</b>	<b>4 898 454</b>	<b>4 503 352</b>	<b>4 399 142</b>
Sales of goods and services produced by department	51 125	36 274	45 215	48 503	59 994	51 475	54 565	57 840
Sales of scrap, waste, arms and other used current goods	5	—	—	6	6	7	6	5
Fines, penalties and forfeits	—	—	—	—	—	835	885	938
Interest, dividends and rent on land	2 428 979	4 281 186	4 884 243	4 680 005	5 207 105	4 215 669	4 191 538	4 068 620
Sales of capital assets	—	309	—	169	169	—	—	—
Financial transactions in assets and liabilities	39 917	37 356	166 318	356 026	356 026	630 468	256 358	271 739
<b>Extraordinary receipts</b>	<b>2 650 000</b>	<b>365 000</b>	<b>1 340 150</b>	<b>—</b>	<b>2 151 500</b>	<b>—</b>	<b>—</b>	<b>—</b>
Foreign exchange amnesty proceeds	2 650 000	—	—	—	—	—	—	—
The Gold and Foreign Exchange Contingency Reserve Account	—	365 000	319 273	—	—	—	—	—
Special restructuring proceeds from SASRIA	—	—	—	—	2 150 000	—	—	—
Levy accounts from South African Reserve Bank	—	—	1 020 877	—	1 500	—	—	—
<b>Total</b>	<b>5 170 026</b>	<b>4 720 125</b>	<b>6 435 926</b>	<b>5 084 709</b>	<b>7 774 800</b>	<b>4 898 454</b>	<b>4 503 352</b>	<b>4 399 142</b>

## Programme 1: Administration

### Expenditure estimates

**Table 7.4 Administration**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Minister <sup>1</sup>	0.8	0.9	1.0	1.6	1.7	1.8	1.9
Deputy Minister <sup>1</sup>	0.7	0.7	0.8	1.3	1.4	1.5	1.6
Management	21.1	35.0	43.7	36.5	42.0	44.4	45.7
Corporate Services	67.1	88.0	95.8	102.6	96.3	102.6	110.0
Property Management	53.2	37.0	36.5	57.3	47.4	49.7	52.6
<b>Total</b>	<b>143.0</b>	<b>161.6</b>	<b>177.6</b>	<b>199.4</b>	<b>188.8</b>	<b>200.0</b>	<b>211.8</b>
Change to 2008 Budget estimate				17.8	(8.0)	(4.9)	(4.0)

1. From 2008/09, the current payments relating to the total remuneration package of political office bearers are shown, before this, only salary and car allowance are included. Administrative and other subprogramme expenditure may in addition include payments for capital assets as well as transfers and subsidies.



Table 7.4 Administration (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Economic classification</b>							
<b>Current payments</b>	<b>131.1</b>	<b>156.7</b>	<b>167.5</b>	<b>194.7</b>	<b>181.3</b>	<b>190.3</b>	<b>202.7</b>
Compensation of employees	42.2	52.0	61.1	66.0	63.7	72.8	81.0
Goods and services	88.7	102.1	106.3	128.6	117.5	117.5	121.7
of which:							
Administrative fees	2.9	3.0	3.4	4.3	2.7	2.7	2.3
Advertising	0.8	0.7	0.7	1.0	1.1	1.1	0.9
Assets less than R5 000	6.3	2.9	1.1	0.8	0.8	0.8	0.9
Audit costs: External	3.7	4.9	3.3	2.2	3.6	3.9	4.3
Bursaries (employees)	0.2	0.1	0.3	0.5	0.7	0.8	0.7
Catering: Departmental activities	–	0.6	0.7	0.7	1.0	1.0	1.1
Communication	6.0	3.8	3.8	3.7	4.3	4.6	4.9
Computer services	6.7	13.9	18.3	21.7	18.6	19.1	19.9
Consultants and professional services:	17.0	22.0	19.6	19.4	10.5	6.3	6.2
Business and advisory services							
Consultants and professional services:	3.4	10.6	10.8	7.1	10.1	10.9	11.3
Legal costs							
Contractors	1.9	1.2	1.3	7.2	3.6	2.1	1.6
Agency and support / outsourced services	–	–	–	0.7	6.1	6.5	6.6
Entertainment	0.5	0.1	0.2	0.3	0.2	0.2	0.2
Inventory: Food and food supplies	0.3	0.4	0.5	0.4	0.4	0.4	0.5
Inventory: Fuel, oil and gas	0.1	0.1	0.2	0.2	0.2	0.2	0.3
Inventory: Materials and supplies	2.2	0.7	1.1	0.2	0.0	0.0	0.0
Inventory: Other consumables	0.8	0.7	0.9	2.5	1.5	1.6	1.7
Inventory: Stationery and printing	3.4	2.8	3.4	3.2	3.9	4.1	4.7
Lease payments	0.6	17.1	17.8	19.3	20.5	21.5	23.0
Owned and leasehold property expenditure	21.7	–	4.3	17.7	12.0	12.6	13.4
Travel and subsistence	6.5	6.7	9.9	10.7	11.5	12.3	12.1
Training and development	2.7	2.9	3.9	1.7	2.1	2.6	3.0
Operating expenditure	1.0	6.2	0.4	1.4	1.4	1.4	1.4
Venues and facilities	0.2	0.6	0.5	1.7	0.8	0.8	0.8
Financial transactions in assets and liabilities	0.2	2.6	0.1	–	–	–	–
<b>Transfers and subsidies</b>	<b>0.3</b>	<b>0.8</b>	<b>2.7</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>	<b>1.4</b>
Provinces and municipalities	0.1	0.0	–	–	–	–	–
Departmental agencies and accounts	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Public corporations and private enterprises	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Households	–	0.6	2.4	0.8	1.0	1.0	1.1
<b>Payments for capital assets</b>	<b>11.5</b>	<b>4.1</b>	<b>7.4</b>	<b>3.7</b>	<b>6.2</b>	<b>8.3</b>	<b>7.7</b>
Machinery and equipment	10.6	4.1	7.4	3.7	6.2	8.3	7.7
Software and other intangible assets	0.9	–	–	–	–	–	–
<b>Total</b>	<b>143.0</b>	<b>161.6</b>	<b>177.6</b>	<b>199.4</b>	<b>188.8</b>	<b>200.0</b>	<b>211.8</b>

## Details of selected transfers and subsidies

<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>
Finance, Accounting, Management, Consulting and other Financial Services	0.2	0.2	0.2	0.2	0.2	0.3	0.3
Sector Education and Training Authority							

## Expenditure trends

Expenditure between 2005/06 and 2008/09 increased from R143 million to R199.4 million at an average annual rate of 11.7 per cent, mainly due to the rollout of the integrated document management system, the maintenance of the PABX telephone system, recruitment drive initiatives, the implementation of the internal audit strategy, increased legal costs, and the centralisation of internship intakes.

Between 2008/09 and 2009/10, expenditure is expected to decrease by 5.3 per cent, reaching R188.8 million in 2009/10. This is because of the once-off cost for the maintenance of the PABX telephone system and the lower spending on the accommodation optimisation plan. Expenditure over the MTEF period will stabilise at an average annual rate of 2 per cent.

## Programme 2: Public Finance and Budget Management

- *Public Finance* provides financial and budgetary analysis of government programmes, advises on policy and service delivery trends, and manages National Treasury's relations with other national departments.
- *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, coordinates international technical assistance and donor finance, supports public private partnership projects, and compiles public finance statistics.
- *Intergovernmental Relations* coordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.
- *Technical and Management Support* includes advisory and capacity building initiatives focused on public private partnerships, project management, infrastructure service delivery and public finance information systems. A dedicated unit has been established to support budgetary planning related to the 2010 FIFA World Cup.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services.

## Objectives and measures

- Give effect to government's economic, fiscal, social and development goals by preparing annual Budget frameworks and medium term expenditure recommendations.
- Improve financial management by promoting sound planning, budgeting and project management, including by giving support to public finance reforms in provinces and municipalities through training and issuing guidelines.
- Promote public and private investment in infrastructure and public services by providing technical support for public private partnerships, advising on financing alternatives for municipal development, and providing financial assistance for neighbourhood development projects.
- Promote transparency and access to information on government budgeting and expenditure by publishing the Budget Review, the Estimates of National Expenditure, provincial and local government budget and expenditure reviews, the medium term budget policy statement and appropriation legislation, which contain relevant, accurate and clear financial information and associated indicators of service delivery and performance according to the various guidelines.
- Promote improved planning and analysis of public expenditure and service delivery and the appropriate use of public and private financial resources for social and economic development and infrastructure investment by analysing expenditure and performance information and compiling quarterly reports.
- Contribute to policy development, planning and improved financial management through advice and technical assistance to support public service delivery, infrastructure development and improved public administration.
- Support project management and sound financing arrangements for South Africa's hosting of the 2010 FIFA World Cup by continuously providing advice and ensuring appropriate funding of projects related to the event.

## Service delivery and spending focus

Through the intergovernmental relations division, National Treasury has played a major role in compiling municipal and provincial budgets and quarterly reports, as required in terms of section 32 of the Public Finance Management Act (1999) and section 71 of the Municipal Finance Management Act (2003). The reports have assisted in building the oversight information base required for councillors and parliamentarians to play a more meaningful role with improved information at their disposal in monitoring performance.

## Expenditure estimates

**Table 7.5 Public Finance and Budget Management**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Public Finance	27.2	25.8	31.6	34.8	35.4	37.2	40.4
Budget Office	26.8	28.3	29.9	34.5	35.4	37.6	40.4
Intergovernmental Relations	42.4	26.2	30.4	37.3	38.2	40.8	42.9
Technical and Management Support	24.7	58.3	120.1	120.6	99.5	94.6	93.7
<b>Total</b>	<b>121.1</b>	<b>138.5</b>	<b>212.0</b>	<b>227.1</b>	<b>208.5</b>	<b>210.2</b>	<b>217.4</b>
Change to 2008 Budget estimate				31.2	2.6	1.7	1.1

### Economic classification

<b>Current payments</b>	<b>113.2</b>	<b>129.7</b>	<b>204.6</b>	<b>201.9</b>	<b>199.7</b>	<b>202.0</b>	<b>209.3</b>
Compensation of employees	65.0	71.9	89.7	102.7	108.1	114.2	122.3
Goods and services	48.2	57.8	114.9	99.2	91.5	87.8	87.1
<i>of which:</i>							
Administrative fees	2.0	2.1	2.5	2.4	1.2	1.5	1.5
Advertising	1.2	1.7	1.2	1.1	0.8	1.2	0.7
Bursaries (employees)	0.3	0.4	0.3	0.5	0.5	0.5	0.5
Catering: Departmental activities	–	0.8	1.0	1.2	1.2	0.6	1.2
Communication	0.4	0.5	0.6	0.6	0.6	0.7	0.7
Computer services	0.1	–	0.3	1.0	0.3	0.4	0.4
Consultants and professional services: Business and advisory services	28.0	33.5	90.7	64.4	39.0	61.7	57.7
Agency and support / outsourced services	–	–	–	6.1	0.3	0.4	0.2
Inventory: Stationery and printing	6.0	7.0	5.8	6.2	6.5	6.9	7.0
Lease payments	0.3	0.5	0.6	0.6	0.7	0.8	0.9
Travel and subsistence	6.2	7.6	8.0	9.8	10.1	11.2	11.5
Training and development	1.1	1.3	1.7	1.9	14.9	0.7	2.1
Operating expenditure	0.3	0.8	0.7	0.6	0.3	0.3	0.3
Venues and facilities	0.7	1.2	1.0	1.9	14.4	0.4	1.6
Financial transactions in assets and liabilities	0.0	0.0	0.0	–	–	–	–
<b>Transfers and subsidies</b>	<b>6.7</b>	<b>6.6</b>	<b>6.0</b>	<b>23.5</b>	<b>7.4</b>	<b>6.9</b>	<b>6.9</b>
Provinces and municipalities	0.2	0.1	–	–	–	–	–
Departmental agencies and accounts	6.0	6.0	6.0	23.0	7.0	6.9	6.9
Universities and technikons	–	–	–	0.5	0.5	–	–
Public corporations and private enterprises	0.5	0.5	–	–	–	–	–
<b>Payments for capital assets</b>	<b>1.3</b>	<b>2.3</b>	<b>1.4</b>	<b>1.7</b>	<b>1.4</b>	<b>1.3</b>	<b>1.2</b>
Machinery and equipment	1.3	2.3	1.4	1.8	1.4	1.3	1.2
Software and other intangible assets	0.0	–	–	(0.0)	–	–	–
<b>Total</b>	<b>121.1</b>	<b>138.5</b>	<b>212.0</b>	<b>227.1</b>	<b>208.5</b>	<b>210.2</b>	<b>217.4</b>

Table 7.5 Public Finance and Budget Management (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Details of selected transfers and subsidies</b>							
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>23.0</b>	<b>7.0</b>	<b>6.9</b>	<b>6.9</b>
Technical Assistance Unit Trading Entity	–	–	–	17.0	1.0	1.0	1.0
Project Development Facility Trading Account	6.0	6.0	6.0	6.0	6.0	5.9	5.9

## Expenditure trends

Expenditure between 2005/06 and 2008/09 increased substantially at an average annual rate of 23.3 per cent, from R121.1 million to R227.1 million. This was mainly due to increases in professional and advisory capacity for technical assistance projects falling within the project management framework. The framework is financed through the technical assistance unit trading account created in 2008/09. Further increases in expenditure relate to the 2010 FIFA World Cup, as well as improving the implementation of the infrastructure delivery improvement programme.

Expenditure over the MTEF period will decrease at an average annual rate of 1.4 per cent from R227.1 million in 2008/09 to R217.5 million in 2011/12. This is reflected in the expected decrease in the advisory services budget as the infrastructure delivery improvement programme is being phased out.

## Programme 3: Asset and Liability Management

- *Management* provides strategic guidance and direction to the overall programme, including managing the central budget.
- *Asset Management* promotes the optimal allocation and use of financial resources and sound corporate governance in state owned entities.
- *Liability Management* provides for government's funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital markets.
- *Financial Operations* provides for the prudent management of cash in all spheres of government, efficient accounting of debt and investment transactions, the supply of reliable systems and the provision of quality information.
- *Strategy and Risk Management* develops and maintains a risk management framework.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services.

## Objectives and measures

- Oversee state owned enterprises by reviewing corporate plans and annual reports.
- Finance government's gross borrowing requirements of R109.2 billion by March 2010 through borrowing money from the domestic and international markets.
- Improve the affordability of government debt by reducing the net loan debt and the cost to service debt to 25.6 per cent and 2.2 per cent of GDP by March 2010.
- Ensure that government's liquidity requirements are met consistently through sound forecasting of R2 trillion of cash flows by March 2010.
- Enable government to control financial risks and attract investment by reviewing credit, debt, country ratings and contingent liability risk benchmarks and ensuring adherence to these standards by March 2010.

## Service delivery and spending focus

Initiatives such as diversifying debt instruments and improving liquidity by creating benchmark bonds, have enabled government to develop the domestic market and finance its borrowing requirement, despite the global financial market turmoil. In 2008/09, a successful bond switch programme was introduced in which R57.8 billion of short term bonds were switched to long term bonds, thus reducing refinancing risk. The programme was active in 2008/09 and may continue into 2009/10.

The department introduced a new sales channel to promote the accessibility of retail bonds, which can now be purchased at Pick n Pay retail outlets.

The department submitted the review report of development finance institutions and a financial review on the Pebble Bed Modular Reactor project to Cabinet.

## Expenditure estimates

**Table 7.6 Asset and Liability Management**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management	4.0	11.3	16.5	29.5	19.1	19.8	18.8
Asset Management	6.0	8.6	16.1	12.3	15.3	16.1	16.8
Liability Management	7.9	9.1	9.2	10.9	12.3	12.9	13.5
Financial Operations	7.2	7.9	11.3	10.6	11.3	11.8	12.4
Strategy and Risk Management	5.1	4.4	4.8	6.0	6.4	6.7	7.6
<b>Total</b>	<b>30.2</b>	<b>41.3</b>	<b>57.8</b>	<b>69.3</b>	<b>64.4</b>	<b>67.3</b>	<b>69.1</b>
Change to 2008 Budget estimate				8.0	3.0	6.6	4.9

### Economic classification

<b>Current payments</b>	<b>29.3</b>	<b>40.5</b>	<b>55.3</b>	<b>68.6</b>	<b>63.7</b>	<b>66.6</b>	<b>68.3</b>
Compensation of employees	21.9	26.0	30.1	35.1	41.3	45.4	48.0
Goods and services	7.4	14.5	25.3	33.5	22.3	21.2	20.3
<i>of which:</i>							
Administrative fees	0.2	0.3	0.5	0.5	1.0	1.0	1.1
Advertising	0.4	0.6	0.4	0.4	0.6	0.6	0.6
Audit costs: External	0.4	0.4	0.4	0.5	0.5	0.5	0.6
Bursaries (employees)	0.1	0.1	0.3	0.3	0.6	0.7	0.7
Communication	0.3	0.3	0.3	0.4	0.5	0.5	0.6
Computer services	1.8	2.3	4.1	5.4	3.0	4.8	3.1
Consultants and professional services: Business and advisory services	0.5	6.2	15.0	20.5	8.7	5.3	5.6
Inventory: Stationery and printing	0.3	0.5	0.5	0.6	0.9	0.9	1.0
Lease payments	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Travel and subsistence	1.7	1.5	2.0	2.8	3.5	3.7	3.8
Training and development	0.6	0.5	0.5	0.6	0.9	0.9	1.0
Operating expenditure	0.4	0.6	0.7	0.5	0.9	0.9	1.0
Venues and facilities	0.3	0.5	0.4	0.1	0.7	0.7	0.7
Financial transactions in assets and liabilities	0.0	0.0	–	–	–	–	–
<b>Transfers and subsidies</b>	<b>0.1</b>	<b>0.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Provinces and municipalities	0.1	0.0	–	–	–	–	–
<b>Payments for capital assets</b>	<b>0.8</b>	<b>0.7</b>	<b>2.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
Machinery and equipment	0.8	0.7	2.5	0.7	0.8	0.8	0.8
Software and other intangible assets	0.0	–	–	–	–	–	–
<b>Total</b>	<b>30.2</b>	<b>41.3</b>	<b>57.8</b>	<b>69.3</b>	<b>64.4</b>	<b>67.3</b>	<b>69.1</b>

## Expenditure trends

Expenditure between 2005/06 and 2008/09 increased from R30.2 million to R69.3 million at an average annual rate of 32 per cent mainly due to research for the pebble bed modular reactor project, the review of the mandates of development finance institutions, the reassessment of state owned enterprises' treasury operations, and the development of a treasury management system that addresses the needs of the programme.

Expenditure over the MTEF period is expected to decrease from R69.3 million in 2008/09 to R69.1 million in 2011/12 at an average annual rate of 0.1 per cent. The decrease is due to the completion of the treasury management system, the once-off payment for the pebble bed modular reactor research project and the review of development finance institutions.

## Programme 4: Financial Management and Systems

- *Management* monitors activities of the programme.
- *Supply Chain Management* develops policy that regulates the supply chain processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *Financial Systems* maintains and improves existing financial management systems, and replaces outdated systems with those that comply with the Public Finance Management Act (1999) and generally recognised accounting practice.

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services, as well as payment of consultants.

## Objectives and measures

- Improve supply chain management by:
  - rolling out a revised supply chain management framework from August 2009
  - revising and issuing a supply chain management guide for accounting officers or authorities in 2009/10
  - monitoring supply chain management compliance by submitting reports to Cabinet and the standing committee on public accounts by August 2009.
  - aligning preferential procurement with the aims of the Broad Based Black Economic Empowerment Act (2003) and its related strategy by August 2009
  - establishing a grievance mechanism to deal with supply chain management disputes and complaints by issuing a practice note by April 2009
  - improving value for money on the contracts by:
    - introducing and applying strategic sourcing principles to 100 per cent of transversal contracts in 2009/10
    - introducing strategic sourcing principles to 60 per cent of all national and provincial departments, constitutional institutions, public entities and high capacity municipalities in 2009/10.
- Maintain government's financial systems by implementing the second phase of the integrated financial management system by 2009/10, including developing the lead asset management modules using the integrated development environment toolset.

## Service delivery and spending focus

The integrated financial management systems project is progressing steadily. In 2007/08, contracts have been concluded for the integrated development environment toolset and the procurement module. The contract for the human resource management module was provisionally awarded in 2007/08. The development of the lead asset management modules, using the integrated development environment toolset, has started and is due to be finalised by the end of 2008/09.

The department will begin the implementation of the procurement module in 2009/10 in the lead sites of National Treasury and the South African National Defence Force, while the human resource management model will be implemented in the lead sites of the South African National Defence Force, the Department of Public Service and Administration, and the Free State education department. The implementation of the asset management module will begin in 2009/10 at the lead sites of National Treasury, the South African National Defence Force, and the provincial treasury, health and transport departments of Limpopo province.

## Expenditure estimates

**Table 7.7 Financial Management and Systems**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management	1.1	1.3	1.3	1.5	1.5	1.6	1.7
<i>Deputy Director-General Specialist Functions</i>	1.1	1.3	1.3	1.5	1.5	1.6	1.7
Supply Chain Management	27.8	20.3	28.8	21.9	32.5	36.0	38.1
<i>Chief Directorate Supply Chain Policy</i>	14.8	9.3	14.6	6.4	16.5	18.4	19.2
<i>Chief Directorate Contract Management</i>	8.3	5.5	8.7	8.5	9.8	11.0	11.9
<i>Chief Directorate Norms and Standards</i>	4.7	5.6	5.5	7.0	6.3	6.6	7.0
Financial Systems	197.0	169.1	231.3	276.7	577.7	606.4	629.6
<i>Operational Costs</i>	13.0	12.7	13.7	16.3	17.4	19.3	20.2
<i>Basic Accounting System</i>	55.8	47.1	48.3	54.7	56.1	57.8	55.1
<i>PERSAL</i>	39.0	39.7	41.8	45.7	48.5	50.0	47.7
<i>Logis</i>	40.5	42.0	45.2	52.7	48.1	49.6	51.6
<i>Vulindlela</i>	19.0	16.8	22.8	24.6	24.3	25.0	26.0
<i>Integrated Financial Management System</i>	29.8	10.8	59.4	82.7	383.3	404.8	428.9
<b>Total</b>	<b>225.9</b>	<b>190.8</b>	<b>261.4</b>	<b>300.1</b>	<b>611.7</b>	<b>644.0</b>	<b>669.3</b>
Change to 2008 Budget estimate				(257.5)	(90.5)	(133.9)	(130.2)

### Economic classification

<b>Current payments</b>	<b>223.0</b>	<b>188.8</b>	<b>260.7</b>	<b>297.7</b>	<b>610.9</b>	<b>643.1</b>	<b>668.5</b>
Compensation of employees	26.2	28.7	30.3	35.0	36.6	40.1	42.3
Goods and services	196.8	160.2	230.4	262.7	574.4	603.0	626.1
<i>of which:</i>							
<i>Administrative fees</i>	0.2	0.3	0.5	0.5	0.1	0.1	0.1
<i>Audit costs: External</i>	1.1	0.9	0.6	0.8	1.7	2.8	2.9
<i>Bursaries (employees)</i>	0.1	0.1	0.1	0.5	0.5	0.5	0.6
<i>Communication</i>	1.0	0.6	0.6	1.0	0.6	0.6	0.6
<i>Computer services</i>	186.5	151.5	222.1	251.9	563.0	589.7	611.7
<i>Consultants and professional services: Business and advisory services</i>	0.6	0.2	0.7	0.5	0.2	0.2	0.2
<i>Inventory: Other consumables</i>	0.0	0.0	–	0.8	–	–	–
<i>Inventory: Stationery and printing</i>	0.4	0.6	0.4	0.3	0.6	0.6	0.7
<i>Lease payments</i>	0.4	0.4	0.5	0.8	0.7	0.8	0.9
<i>Travel and subsistence</i>	1.1	1.2	0.9	2.8	1.9	2.1	2.3
<i>Training and development</i>	0.4	0.7	0.4	(2.1)	0.7	0.7	0.8
<i>Venues and facilities</i>	4.5	3.3	3.5	4.0	3.9	4.2	4.5
Financial transactions in assets and liabilities	0.0	0.0	0.0	–	–	–	–
<b>Transfers and subsidies</b>	<b>0.1</b>	<b>0.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Provinces and municipalities	0.1	0.0	–	–	–	–	–
<b>Payments for capital assets</b>	<b>2.8</b>	<b>1.9</b>	<b>0.8</b>	<b>2.4</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
Buildings and other fixed structures	–	–	–	–	–	–	–
Machinery and equipment	2.7	1.9	0.8	2.7	0.8	0.8	0.8
Software and other intangible assets	0.1	–	–	(0.3)	–	–	–
<b>Total</b>	<b>225.9</b>	<b>190.8</b>	<b>261.4</b>	<b>300.1</b>	<b>611.7</b>	<b>644.0</b>	<b>669.3</b>



## Expenditure trends

Expenditure increased between 2005/06 and 2008/09 at an average annual rate of 9.9 per cent, from R225.9 million in 2005/06 to R300.1 million in 2008/09, mainly due to the ongoing maintenance work on the legacy systems such as the basic accounting system, LOGIS, PERSAL and also Vulindlela.

Expenditure over the MTEF period is expected to increase substantially from R300.1 million in 2008/09 to R669.3 million in 2011/12 at an average annual rate of 30.7 per cent. This is due to the intensified implementation of the integrated financial management system, reflected in computer services, which takes up 92 per cent of the programme budget in 2009/10.

## Programme 5: Financial Accounting and Reporting

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the Reconstruction and Development Programme Fund, banking services for national government, and providing support to all spheres of government in implementing financial reporting frameworks and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management, developing the reporting frameworks in line with international and local best practice, developing and implementing accounting policies, and improving the financial management and internal audit capacity within government.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (1995).

Funding for all subprogrammes will mainly be used for compensation of employees and related expenditure in goods and services, as well as transfer payments.

## Objectives and measures

- Improve financial management in government by:
  - developing and publishing reporting templates and guidelines at the beginning of each financial year
  - participating in developing local and international standards in accounting, internal audit and risk management by formulating and publishing accounting standards with the Accounting Standards Board
  - rolling out all generally recognised accounting practices standards, as approved for implementation by the Minister of Finance, by July 2010
  - giving ongoing assistance to institutions in all spheres of government to improve their audit outcomes
  - implementing the relevant financial reporting frameworks and the revised risk management and internal audit frameworks by March 2010
  - rolling out the financial management capability model in the provincial sphere of government by March 2010 and piloting the model in local government in 2010/11
  - ongoing rollout of capacity building programmes in financial management, internal audit and risk management to improve unqualified reports in all spheres of government.
- Achieve transparency and accountability to the general public by ongoing publishing, and where applicable tabling, of the monthly statement of the National Revenue Fund and consolidated financial information for national government, and by publishing the annual financial statements of the reconstruction and development programme by October 2009.
- Monitor compliance with the Public Finance Management Act (1999) through timeous progress reports on the improvement of financial management in August and November 2009.

- Maintain National Treasury's status as a South African Institute of Chartered Accountants approved accredited training office for the training outside public practice programme and grow the programme by increasing the number of trainees.

## Service delivery and spending focus

The department revised the internal audit and risk management frameworks through the hosting of the internal audit indaba, the risk management symposium, the public sector financial management symposium and chief financial officer forums. These are forums that provide opportunities for networking, empowerment and exchange of ideas.

In November 2008, National Treasury submitted a Cabinet memorandum, providing details of audit outcomes and the tabling of annual reports of all national and provincial institutions for 2007/08. In general, a significant number of Public Finance Management Act (1999) compliant institutions are meeting the deadline to table their annual reports and financial statements in the legislature within 6 months from the end of the financial year. Departments are making progress with improving their audit outcomes, with 8 departments having received unqualified audit reports in 2007/08, compared with only 2 in 2006/07.

## Expenditure estimates

**Table 7.8 Financial Accounting and Reporting**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Financial Reporting for National Accounts	28.3	46.8	63.0	65.6	74.8	84.1	87.6
Financial Management Improvement	19.4	12.6	18.4	39.8	29.4	31.3	32.7
Investment of Public Monies	–	–	–	0.0	0.0	0.0	0.0
Service Charges (Commercial Banks)	0.0	0.1	0.1	0.2	0.1	0.1	0.1
Audit Statutory Bodies	13.6	11.9	23.8	106.5	19.0	21.3	23.9
Contingent Liabilities: Reinsurance Liabilities	–	–	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>61.3</b>	<b>71.4</b>	<b>105.2</b>	<b>212.2</b>	<b>123.4</b>	<b>136.8</b>	<b>144.3</b>
Change to 2008 Budget estimate				123.2	30.3	38.9	40.6

### Economic classification

<b>Current payments</b>	<b>42.4</b>	<b>42.5</b>	<b>57.6</b>	<b>77.1</b>	<b>74.0</b>	<b>83.7</b>	<b>86.4</b>
Compensation of employees	19.3	21.4	24.5	29.8	31.8	38.4	40.0
Goods and services	23.2	21.1	33.0	47.3	42.2	45.3	46.4
of which:							
Administrative fees	0.9	0.8	1.3	1.2	1.2	1.2	1.1
Advertising	0.2	0.2	0.4	0.4	0.8	0.7	0.7
Audit costs: External	1.2	3.2	5.1	2.6	5.2	5.5	5.5
Computer services	0.5	0.1	0.1	0.3	0.5	0.5	0.6
Consultants and professional services: Business and advisory services	2.5	4.8	10.6	9.6	10.1	10.6	10.7
Consultants and professional services: Legal costs	–	–	0.7	–	–	–	–
Contractors	1.0	1.5	0.0	0.5	0.2	0.9	0.3
Agency and support / outsourced services	–	–	–	4.2	0.1	0.1	0.1
Inventory: Stationery and printing	1.2	0.7	0.9	1.2	1.5	1.6	1.6
Lease payments	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Travel and subsistence	2.2	2.1	2.9	4.5	3.6	3.9	4.2
Training and development	11.2	3.5	5.2	14.1	14.1	15.0	15.8
Operating expenditure	0.2	0.1	0.2	0.3	0.2	0.3	0.3
Venues and facilities	1.5	3.4	5.0	7.4	3.5	3.9	4.3
Financial transactions in assets and liabilities	–	0.0	–	–	–	–	–

**Table 7.8 Financial Accounting and Reporting (continued)**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Transfers and subsidies</b>	<b>18.4</b>	<b>27.8</b>	<b>47.4</b>	<b>134.2</b>	<b>48.6</b>	<b>52.6</b>	<b>57.0</b>
Provinces and municipalities	0.1	0.0	–	–	–	–	–
Departmental agencies and accounts	18.3	27.5	47.1	134.2	48.3	52.1	56.6
Households	–	0.3	0.3	–	0.3	0.5	0.5
<b>Payments for capital assets</b>	<b>0.5</b>	<b>1.1</b>	<b>0.2</b>	<b>0.8</b>	<b>0.8</b>	<b>0.5</b>	<b>0.8</b>
Machinery and equipment	0.5	1.1	0.2	0.8	0.8	0.5	0.8
<b>Total</b>	<b>61.3</b>	<b>71.4</b>	<b>105.2</b>	<b>212.2</b>	<b>123.4</b>	<b>136.8</b>	<b>144.3</b>

**Details of selected transfers and subsidies**

<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>13.6</b>	<b>22.7</b>	<b>40.9</b>	<b>126.8</b>	<b>41.1</b>	<b>44.6</b>	<b>48.6</b>
Auditor-General	13.6	11.9	23.8	106.5	19.0	21.3	23.9
Independent Regulatory Board for Auditors	–	10.9	17.1	20.3	22.0	23.3	24.7
<b>Capital</b>	<b>4.7</b>	<b>4.8</b>	<b>6.2</b>	<b>7.4</b>	<b>7.2</b>	<b>7.5</b>	<b>8.0</b>
Accounting Standards Board	4.7	4.8	6.2	7.4	7.2	7.5	8.0

**Expenditure trends**

Expenditure increased from R61.3 million in 2005/06 to R212.2 million in 2008/09, at an average annual rate of 51.3 per cent, mainly due to more staff being hired, a once-off payment to the auditor-general for capping of fees, hosting a risk management symposium, the training outside public practice programme, a public sector financial management symposium, an internal audit indaba and costs relating to the formulation of the financial management capability maturity model.

Expenditure over the MTEF period is expected to decrease at an average annual rate of 12.1 per cent, from R212.2 million in 2008/09 to R144.3 million in 2011/12, mainly due to the once-off payment to the auditor-general of R106.5 million in 2008/09.

**Programme 6: Economic Policy and International Financial Relations**

- *Management and Research* funds the department's economic research programme, including promoting the research capacity of local academic researchers, in areas such as economic growth, macroeconomic stability, poverty alleviation, retirement reform, financial sector development and regional integration.
- *Financial Sector Policy* provides policy advice on the financial sector, including legislation and the regulatory framework. Key strategic focus areas include retirement reform, financial stability and financial sector access and transformation.
- *Tax Policy* provides advice on the formulation of tax policy. It is also responsible for drafting tax legislation, tax revenue analysis and forecasting.
- *International Economics* focuses on improving South Africa's participation in international economic institutions and debates. It also facilitates the deepening of South Africa's role in regional integration (the Southern African Development Community (SADC) and the Southern African Customs Union) and works through key economic institutions, such as the African Development Bank, the United Nations Economic Commission for Africa and the New Partnership for Africa's Development (NEPAD).
- *Economic Policy* provides macroeconomic, microeconomic, forecasting and regulatory technical and policy analysis for the annual budget and other government processes, as well as policy review.

Funding for all subprogrammes will mainly be used for compensation of employees, and related expenditure in goods and services.

## Objectives and measures

- Improve the macroeconomic framework of the country by publishing research papers and proposals on promoting growth, macroeconomic stability, retirement reform, and related policy areas.
- Review and strengthen the regulatory framework for the financial sector by continuing to implement the Basle II capital accord, which came into effect on 01 January 2008.
- Expand access to financial services by 2009/10 by:
  - developing a legislative framework for a second tier of banks
  - establishing a cooperative banks development agency for the registration, support, supervision and regulation of the cooperative banks sector
  - facilitating the transformation of the financial sector through ongoing participation in the Charter Council.
- Develop tax policy proposals for the annual Budget, prepare legislative changes to support tax proposals and monitor collection of revenue through ongoing consultation with relevant stakeholders and consideration of contributing factors.
- Improve South Africa's participation in international economic institutions like the International Monetary Fund, the World Bank, and the G20 and the African Development Bank, by influencing the agendas and providing inputs for the meetings.
- Promote regional economic integration in SADC and strengthen economic links within Africa by:
  - continuously participating in SADC forums
  - supporting the Southern African Customs Union to meet regional challenges, including reviewing the existing revenue sharing formula.

## Service delivery and spending focus

In June 2008, the department successfully hosted the annual bank conference on development economics, which reflected on issues such as high food prices, financial turmoil, investment and growth, human development and the role of China in financing Africa's development.

In 2008/09, the final research papers of the International Growth Advisory Panel were released to the public. The Financial Services Laws General Amendment Bill was also presented to Cabinet. A research paper on prudential foreign exposure limits was finalised for institutional investors, and National Treasury's 2008 Tax Statistics, published late in 2008, provides a detailed breakdown of tax revenues by income categories and sectors.

## Expenditure estimates

**Table 7.9 Economic Policy and International Financial Relations**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Management and Research	4.0	14.8	10.8	19.0	22.1	25.2	27.0
Financial Sector Policy	19.2	14.5	16.1	22.3	21.5	22.4	23.2
Tax Policy	7.8	11.5	12.4	14.4	15.5	17.1	17.8
International Economics	9.2	9.6	13.1	16.1	16.9	17.8	18.6
Economic Policy	12.5	18.5	40.7	22.0	11.7	12.1	12.7
<b>Total</b>	<b>52.8</b>	<b>68.9</b>	<b>93.2</b>	<b>93.8</b>	<b>87.6</b>	<b>94.5</b>	<b>99.3</b>
Change to 2008 Budget estimate				11.3	7.8	11.0	11.0

**Table 7.9 Economic Policy and International Financial Relations (continued)**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Economic classification</b>							
<b>Current payments</b>	<b>46.0</b>	<b>64.2</b>	<b>90.2</b>	<b>88.1</b>	<b>81.9</b>	<b>88.8</b>	<b>93.7</b>
Compensation of employees	24.9	30.9	37.1	45.7	52.7	58.0	61.4
Goods and services	21.1	33.3	53.1	42.4	29.2	30.7	32.2
of which:							
Administrative fees	0.7	1.0	1.5	1.2	1.5	1.0	0.9
Advertising	0.7	0.3	0.5	0.5	0.5	0.5	0.4
Catering: Departmental activities	–	0.4	0.4	0.5	0.6	0.6	0.6
Communication	0.2	0.3	0.7	0.5	0.4	0.4	0.4
Consultants and professional services: Business and advisory services	10.8	18.6	14.6	15.2	12.6	13.5	14.3
Agency and support / outsourced services	–	–	–	1.1	0.4	0.4	0.4
Inventory: Stationery and printing	1.0	1.0	1.9	2.0	1.3	1.4	1.5
Lease payments	0.3	0.2	6.6	0.2	0.2	0.2	0.2
Travel and subsistence	5.3	7.4	15.0	11.4	8.1	8.9	9.5
Training and development	0.5	0.5	0.7	0.7	0.9	1.0	0.9
Operating expenditure	0.7	1.6	3.4	3.9	1.3	1.3	1.4
Venues and facilities	0.3	1.5	7.2	4.6	0.7	0.8	0.8
Financial transactions in assets and liabilities	0.0	0.0	0.0	–	–	–	–
<b>Transfers and subsidies</b>	<b>6.2</b>	<b>3.5</b>	<b>2.3</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
Provinces and municipalities	0.1	0.0	–	–	–	–	–
Universities and technikons	0.8	3.5	2.3	5.0	5.0	5.0	5.0
Public corporations and private enterprises	5.3	–	–	–	–	–	–
<b>Payments for capital assets</b>	<b>0.6</b>	<b>1.2</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>
Machinery and equipment	0.6	1.2	0.7	0.7	0.7	0.8	0.7
<b>Total</b>	<b>52.8</b>	<b>68.9</b>	<b>93.2</b>	<b>93.8</b>	<b>87.6</b>	<b>94.5</b>	<b>99.3</b>

**Details of selected transfers and subsidies**

<b>Universities and technikons</b>							
<b>Current</b>	<b>0.8</b>	<b>3.5</b>	<b>2.3</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
University of Cape Town	0.8	3.5	2.3	5.0	5.0	5.0	5.0
<b>Public corporations and private enterprises</b>							
<b>Private enterprises</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>5.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Centre for Development and Enterprises	5.3	–	–	–	–	–	–

**Expenditure trends**

Expenditure increased from R52.8 million in 2005/06 to R93.8 million in 2008/09, at an average annual rate of 21.1 per cent, mainly due to: an increase in the staff complement; the hosting of the annual bank conference on development economics in 2008; and an increase in research funding, including research for regulatory impact analysis and microeconomic analysis, and on the implications of policy advice and implementation on legislation including tax, pensions and banking regulations.

Expenditure over the MTEF period is expected to increase from R93.8 million in 2008/09 to R99.3 million in 2011/12 at an average annual rate of 1.9 per cent. This is due to improvements in the functioning of the financial regulatory system in the *Financial Sector Policy* subprogramme and the improvement of economic policy proposals in the *Economic Policy* subprogramme.

## Programme 7: Provincial and Local Government Transfers

- *Infrastructure Grant to Provinces* provides for the transfers to provinces and for monitoring them. The grant supports accelerated infrastructure development and maintenance for roads, schools, health facilities and rural development.
- *Local Government Financial Management and Restructuring Grants* provides for transfers to municipalities and assists municipalities in building capacity to implement the financial management reforms underpinning the Municipal Finance Management Act (2003).
- *Neighbourhood Development Partnership Grant* provides for the transfer to municipalities for the design of partnership projects and the co-financing of the construction of new and improved community facilities and related municipal assets.

Funding will be used for transfers to provinces and municipalities.

### Objectives and measures

- Assist in the design and co-financing of neighbourhood development partnership grant projects by:
  - increasing the number of projects granted award status from 80 to 90 by 2009/10
  - increasing the number of capital projects under construction that supports township regeneration from 7 to 10 by 2009/10.
- Build financial skills by improving internal and external reporting on financial management grants as they relate to budget, service business delivery implementation plans, in-year monitoring and annual reports by 2010.
- Manage conditional grants by transferring infrastructure grants to provinces according to the payment schedule and the requirements of the Division of Revenue Act.
- Ensure proper planning and implementation of infrastructure maintenance by the provincial departments of education, health and transport by quarterly monitoring of their delivery of provincial infrastructure.

### Service delivery and spending focus

National Treasury commissioned a study to identify 25 of the poorest municipalities in South Africa, with a view to providing additional financial and technical support to these in 2008/09. With the support of the provincial treasuries, all these municipalities submitted proposals on their areas of focus.

The neighbourhood development partnership grant is a hybrid grant, comprising a technical assistance fund and a capital grant for selected township regeneration projects, aimed at leveraging private sector investment and improving citizens' quality of life. By 2008/09, 729 applications were received. 86 awards were made to 51 municipalities, and the department is targeting a potential 135 townships.

The level of spending on technical assistance has been less than projected, mainly due to slow planning processes by municipalities. By September 2008, capital grant spending was on track in 8 projects under construction.

### Expenditure estimates

**Table 7.10 Provincial and Local Government Transfers**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Infrastructure Grant to Provinces	2 984.1	4 983.5	6 276.2	7 384.5	9 249.2	11 314.9	13 091.2
Local Government Financial Management and Restructuring Grants	387.5	410.3	675.3	180.0	300.0	364.6	384.6
Neighbourhood Development Partnership Grant	–	50.0	41.2	373.5	661.4	753.8	939.4
Gautrain loan	–	–	–	–	4 200.0	–	–
<b>Total</b>	<b>3 371.6</b>	<b>5 443.7</b>	<b>6 992.7</b>	<b>7 938.0</b>	<b>14 410.6</b>	<b>12 433.3</b>	<b>14 415.3</b>
Change to 2008 Budget estimate				(18.7)	4 443.9	939.2	2 288.8

**Table 7.10 Provincial and Local Government Transfers (continued)**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Economic classification</b>							
<i>of which:</i>							
<b>Transfers and subsidies</b>	<b>3 371.6</b>	<b>5 443.7</b>	<b>6 992.7</b>	<b>7 938.0</b>	<b>14 410.6</b>	<b>12 433.3</b>	<b>14 415.3</b>
Provinces and municipalities	3 371.6	5 393.7	6 992.7	7 853.0	14 331.2	12 309.5	14 316.3
Departmental agencies and accounts	–	50.0	–	85.0	79.4	123.8	99.0
<b>Total</b>	<b>3 371.6</b>	<b>5 443.7</b>	<b>6 992.7</b>	<b>7 938.0</b>	<b>14 410.6</b>	<b>12 433.3</b>	<b>14 415.3</b>
<b>Details of selected transfers and subsidies</b>							
<b>Provinces and municipalities</b>							
<b>Provinces</b>							
<b>Provincial revenue funds</b>							
<b>Capital</b>	<b>2 984.1</b>	<b>4 983.5</b>	<b>6 276.2</b>	<b>7 384.5</b>	<b>13 449.2</b>	<b>11 314.9</b>	<b>13 091.2</b>
Infrastructure grant to provinces	2 984.1	4 983.5	6 026.2	7 384.5	9 249.2	11 314.9	13 091.2
Transitional grant: North West	–	–	250.0	–	–	–	–
Gautrain loan	–	–	–	–	4 200.0	–	–
<b>Provinces and municipalities</b>							
<b>Municipalities</b>							
<b>Municipal bank accounts</b>							
<b>Current</b>	<b>387.5</b>	<b>410.3</b>	<b>675.3</b>	<b>180.0</b>	<b>300.0</b>	<b>364.6</b>	<b>384.6</b>
Financial management grant: Municipalities	132.5	145.3	145.3	180.0	300.0	364.6	384.6
Local government restructuring grant	255.0	265.0	530.0	–	–	–	–
<b>Capital</b>	<b>–</b>	<b>–</b>	<b>41.2</b>	<b>288.5</b>	<b>582.0</b>	<b>630.0</b>	<b>840.4</b>
Neighbourhood development partnership grant	–	–	41.2	288.5	582.0	630.0	840.4
<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>–</b>	<b>50.0</b>	<b>–</b>	<b>85.0</b>	<b>79.4</b>	<b>123.8</b>	<b>99.0</b>
Neighbourhood development partnership grant	–	50.0	–	85.0	79.4	123.8	99.0

## Expenditure trends

The infrastructure grant to provinces, which takes up 64.2 per cent of the programme budget in 2009/10, supplements the provincial equitable share. It supports the construction, maintenance and rehabilitation of infrastructure in education, roads, health and agriculture. Spending on provincial infrastructure increased from R3 billion in 2005/06 to R7.4 billion in 2008/09 at an average annual rate of 35.3 per cent, mainly due to higher expenditure on roads and transport and increased capital spending.

Spending on the infrastructure grant over the MTEF period is expected to increase from R7.4 billion in 2008/09 to R13.1 billion in 2011/12, at an average annual rate of 21 per cent, mainly due to improvements in the national education infrastructure management system and transport coal road haulage system.

The local government financial management restructuring grant was introduced to assist municipalities in implementing financial management reforms and support the technical advisor programme for hands-on skills transfer to municipal officials under the Municipal Finance Management Act (2003). Funds were transferred to municipalities based on their implementation plans. Grants to municipalities decreased from R387.5 million in 2005/06 to R180 million in 2008/09, at an average annual rate of 22.6 per cent due to the phasing out of the local government restructuring grant. Over the MTEF period, the grant increases at an average annual rate of 28.8 per cent, to reach R384.6 million in 2011/12, due to increased capacity support for municipalities.



The expenditure for the neighbourhood development partnership grant has increased from R373.5 million in 2008/09 to R939.4 million in 2011/12 at an average annual rate of 36 per cent. This grant to municipalities is for the design of partnership projects and for co-financing the construction of new and better community facilities and related municipal assets. In 2006/07, only R50 million was transferred due to the slow implementation of projects, compared to the projected spending of R373.5 million in 2008/09.

The Gautrain project will be funded through a once-off loan of R4.2 billion in 2009/10, which accounts for the 81.5 per cent increase in spending in transfers in 2009/10.

## Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices, and other related expenses in terms of statutory commitments.

Funding is mainly used for transfers to funds and beneficiaries.

### Objectives and measures

- Pay pensions to people who made sacrifices or served the public interest in the democratisation of South Africa through full implementation of the Special Pensions Amendment Act (2008) by December 2010.
- Improve turnaround time for pension payments by reviewing special pensions, medical pensions, military pensions and injury on duty processes and procedures by October 2009.
- Alleviate poverty by ensuring timely and accurate monthly payments of military pension funds (on behalf of 7 024 beneficiaries), contributions to medical aid schemes (on behalf of 75 400 members), and risk and administrative fees on behalf of 900 members of the Political Office Bearers Pension Fund.

### Service delivery and spending focus

The enactment of the Special Pensions Amendment Act (2008) will extend the right to a pension to persons 30 years of age, but not yet 35 years of age, on 31 December 1996.

All staff from the special pensions division were absorbed into the Government Employees Pension Fund with permanent and long term contracts. The communications and promotional strategy for the implementation of the special pensions amendments was completed in 2008/09.

The department also addressed the backlog of more than 50 per cent in the post-retirement medical benefits in 2008/09.

### Expenditure estimates

**Table 7.11 Civil and Military Pensions, Contributions to Funds and Other Benefits**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
Civil Pensions and Contributions to Funds	1 860.9	1 901.7	2 027.4	2 157.6	4 741.8	2 214.7	2 347.6
Military Pensions and Other Benefits	150.0	147.0	149.4	156.1	178.5	183.9	194.9
<b>Total</b>	<b>2 010.9</b>	<b>2 048.7</b>	<b>2 176.8</b>	<b>2 313.7</b>	<b>4 920.3</b>	<b>2 398.6</b>	<b>2 542.5</b>
Change to 2008 Budget estimate				(39.0)	2 480.0	–	–

**Table 7.11 Civil and Military Pensions, Contributions to Funds and Other Benefits (continued)**

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Economic classification</b>							
<b>Current payments</b>	<b>25.8</b>	<b>30.4</b>	<b>29.9</b>	<b>32.9</b>	<b>34.2</b>	<b>33.2</b>	<b>35.2</b>
Goods and services	18.0	26.7	25.3	32.9	34.2	33.2	35.2
of which:							
Consultants and professional services: Business and advisory services	18.0	26.7	25.3	32.9	34.2	33.2	35.2
Financial transactions in assets and liabilities	7.8	3.7	4.6	–	–	–	–
<b>Transfers and subsidies</b>	<b>1 985.0</b>	<b>2 018.4</b>	<b>2 146.9</b>	<b>2 280.8</b>	<b>4 886.1</b>	<b>2 365.3</b>	<b>2 507.2</b>
Foreign governments and international organisations	2.7	1.7	2.1	2.6	3.8	4.0	4.2
Non-profit institutions	0.1	–	0.1	0.1	0.1	0.1	0.1
Households	1 982.3	2 016.7	2 144.7	2 278.1	4 882.2	2 361.3	2 502.9
<b>Total</b>	<b>2 010.9</b>	<b>2 048.7</b>	<b>2 176.8</b>	<b>2 313.7</b>	<b>4 920.3</b>	<b>2 398.6</b>	<b>2 542.5</b>

**Details of selected transfers and subsidies**

<b>Foreign governments and international organisations</b>							
<b>Current</b>	<b>2.7</b>	<b>1.7</b>	<b>2.1</b>	<b>2.6</b>	<b>3.8</b>	<b>4.0</b>	<b>4.2</b>
United Kingdom tax	2.7	1.7	2.1	2.6	3.8	4.0	4.2
<b>Households</b>							
<b>Social benefits</b>							
<b>Current</b>	<b>1 982.3</b>	<b>2 016.7</b>	<b>2 144.7</b>	<b>2 278.1</b>	<b>4 882.2</b>	<b>2 361.3</b>	<b>2 502.9</b>
Civil pensions	1 835.2	1 872.1	1 997.9	2 123.5	2 208.7	2 182.5	2 313.5
Military pensions	147.1	144.5	146.8	154.6	173.5	178.7	189.5
Political Office Bearers Pension Fund	–	–	–	–	2 500.0	–	–

**Expenditure trends**

Government's contributions to pensions and other benefits on behalf of retired civil servants increased from R1.9 billion in 2005/06 to R2.2 billion in 2008/09, at an average annual rate of 5.1 per cent, due to increases in medical and other benefit tariffs and increased spending on injury on duty.

Expenditure for the programme is expected to increase from R2.3 billion in 2008/09 to R2.5 billion in 2011/12 at an average annual rate of 3.2 per cent. This is due to the implementation of the Special Pensions Amendment Act (2008), which will expand benefits to widows and orphans of beneficiaries and also increase the payment of claims for injury on duty by the special pensions division. The increase of 112.7 per cent between 2008/09 and 2009/10 is due to a once-off amount of R2.5 billion added for the Political Office Bearers Pension Fund.

**Programme 9: Fiscal Transfers**

The subprogrammes reflect the different types of transfers.

Domestic transfers are made to the South African Revenue Service, the Financial and Fiscal Commission, the Secret Services account, and the Financial Intelligence Centre.

Foreign transfer payments are made to:

- the World Bank, including the International Development Association, which forms part of the World Bank Group and which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries
- the International Monetary Fund
- the African Development Bank and African Development Fund

- Lesotho, Namibia and Swaziland, under the *Common Monetary Area Compensation* subprogramme, for the rand monetary area agreement
- the African integration and support programmes
- various international programmes, such as the Commonwealth Fund for Technical Cooperation, the Investment Climate Facility, and the Global Alliance for Vaccines and Immunisation.

## Expenditure estimates

**Table 7.12 Fiscal Transfers**

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Eskom	–	–	–	10 000.0	30 000.0	20 000.0	–
Domestic Budgetary Transfers	6 627.6	7 119.4	8 165.2	9 284.0	10 217.8	11 517.1	12 286.3
<i>South African Revenue Service</i>	4 254.3	4 874.6	5 511.0	6 302.8	7 035.5	7 949.0	8 600.2
<i>Financial and Fiscal Commission</i>	19.7	21.7	27.5	26.1	24.6	26.4	28.0
<i>Secret Services</i>	2 330.1	2 223.1	2 584.2	2 843.6	2 997.3	3 251.6	3 473.0
<i>Financial Intelligence Centre</i>	23.6	–	42.5	111.5	156.4	282.0	169.8
<i>Cooperative Banking Development Agency</i>	–	–	–	–	4.0	8.2	15.3
Domestic Programme Transfers	66.2	311.7	222.3	246.8	267.4	282.6	296.7
<i>Development Bank of Southern Africa: Siyenza Manje</i>	–	258.3	168.9	246.8	267.4	282.6	296.7
<i>Development Bank of Southern Africa: Financial management grant</i>	66.2	53.4	53.4	–	–	–	–
Africa Integration and Support	244.7	282.8	320.6	349.6	414.5	439.0	465.4
<i>Common Monetary Area Compensation</i>	244.7	282.8	320.6	342.8	359.4	381.0	403.8
<i>Regional Integration</i>	–	–	–	5.0	5.0	5.0	5.3
<i>Financial and Technical Support</i>	–	–	–	1.8	50.1	53.1	56.3
Multilateral Institutions	143.2	282.1	163.6	170.4	139.2	148.6	145.9
<i>African Development Bank and African Development Fund</i>	121.6	104.9	76.9	102.4	76.0	80.6	85.4
<i>World Bank Group (including IDA)</i>	21.6	177.2	86.6	68.0	63.1	68.0	60.5
International Projects	2.3	10.1	17.6	19.8	22.1	23.1	24.5
<i>Collaborative Africa Budget Reform Initiative</i>	–	–	–	–	1.2	1.2	1.2
<i>Commonwealth Fund for Technical Cooperation</i>	2.3	2.9	3.4	3.5	3.5	3.5	3.7
<i>International Funding Facility for Immunization</i>	–	7.2	7.4	8.0	8.5	9.0	9.6
<i>Investment Climate Facility</i>	–	–	6.8	8.3	8.9	9.4	10.0
<b>Total</b>	<b>7 084.0</b>	<b>8 006.0</b>	<b>8 889.3</b>	<b>20 070.5</b>	<b>41 060.9</b>	<b>32 410.5</b>	<b>13 218.8</b>
Change to 2008 Budget estimate				10 229.7	30 471.3	20 838.3	955.1

### Economic classification

<b>Transfers and subsidies</b>	<b>7 084.0</b>	<b>8 006.0</b>	<b>8 889.3</b>	<b>20 070.5</b>	<b>41 060.9</b>	<b>32 410.5</b>	<b>13 218.8</b>
Departmental agencies and accounts	6 627.6	7 119.4	8 165.2	9 284.0	10 217.8	11 517.1	12 286.3
Public corporations and private enterprises	66.2	311.7	222.3	10 246.8	30 267.4	20 282.6	296.7
Foreign governments and international organisations	390.1	574.9	501.7	539.8	575.7	610.8	635.8
<b>Total</b>	<b>7 084.0</b>	<b>8 006.0</b>	<b>8 889.3</b>	<b>20 070.5</b>	<b>41 060.9</b>	<b>32 410.5</b>	<b>13 218.8</b>

### Details of selected transfers and subsidies

<b>Departmental agencies and accounts</b>							
<b>Departmental agencies (non-business entities)</b>							
<b>Current</b>	<b>5 798.3</b>	<b>6 754.3</b>	<b>7 308.6</b>	<b>7 983.5</b>	<b>9 606.4</b>	<b>10 767.3</b>	<b>11 514.7</b>
South African Revenue Service (current)	3 803.9	4 788.0	5 255.7	6 021.1	6 883.6	7 778.8	8 409.1
Financial and Fiscal Commission	19.7	21.7	27.5	26.1	24.6	26.4	28.0
Secret Services Account (current)	1 955.2	1 944.6	1 988.6	1 830.7	2 585.4	2 764.7	2 892.6
Financial Intelligence Centre (current)	19.6	–	36.8	105.6	108.8	189.2	169.8
Cooperative Banking Development Agency	–	–	–	–	4.0	8.2	15.3

Table 7.12 Fiscal Transfers (continued)

R million	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Capital</b>	<b>829.3</b>	<b>365.0</b>	<b>856.7</b>	<b>1 300.5</b>	<b>611.4</b>	<b>749.9</b>	<b>771.6</b>
South African Revenue Service (capital)	450.4	86.6	255.3	281.7	152.0	170.2	191.1
Secret Services Account (capital)	374.8	278.5	595.7	1 012.9	411.8	486.9	580.5
Financial Intelligence Centre (capital)	4.0	–	5.7	5.9	47.6	92.8	–
<b>Public corporations and private enterprises</b>							
<b>Public corporations</b>							
<b>Other transfers</b>							
<b>Current</b>	<b>66.2</b>	<b>311.7</b>	<b>222.3</b>	<b>246.8</b>	<b>267.4</b>	<b>282.6</b>	<b>296.7</b>
Development Bank of Southern Africa: Siyenza Manje	–	258.3	168.9	246.8	267.4	282.6	296.7
Development Bank of Southern Africa: Financial management grant	66.2	53.4	53.4	–	–	–	–
<b>Capital</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10 000.0</b>	<b>30 000.0</b>	<b>20 000.0</b>	<b>–</b>
Eskom	–	–	–	10 000.0	30 000.0	20 000.0	–
<b>Foreign governments and international organisations</b>							
<b>Current</b>	<b>247.0</b>	<b>292.8</b>	<b>338.2</b>	<b>367.6</b>	<b>386.5</b>	<b>409.1</b>	<b>433.6</b>
Common Monetary Area Compensation	244.7	282.8	320.6	342.8	359.4	381.0	403.8
Regional Integration	–	–	–	5.0	5.0	5.0	5.3
Collaborative Africa Budget Reform Initiative	–	–	–	–	1.2	1.2	1.2
Commonwealth Fund for Technical Cooperation	2.3	2.9	3.4	3.5	3.5	3.5	3.7
International Funding Facility for Immunization	–	7.2	7.4	8.0	8.5	9.0	9.6
Investment Climate Facility	–	–	6.8	8.3	8.9	9.4	10.0
<b>Capital</b>	<b>143.2</b>	<b>282.1</b>	<b>163.6</b>	<b>172.2</b>	<b>189.2</b>	<b>201.7</b>	<b>202.2</b>
Financial and Technical Support	–	–	–	1.8	50.1	53.1	56.3
Africa Development Bank and African Development Fund	121.6	104.9	76.9	102.4	76.0	80.6	85.4
World Bank	21.6	177.2	86.6	68.0	63.1	68.0	60.5

## Expenditure trends

There is no direct expenditure under this programme, only transfers. Transfers increased from R7.1 billion in 2005/06 to R20.1 billion in 2008/09, at an average annual rate of 41.5 per cent. The increase was mainly due to additional budgetary allocations which also included inflation adjustments to the South African Revenue Service and the Secret Services, the Financial Intelligence Centre for capacity building and accommodation, and the Eskom subordinated loan for building infrastructure for sustainable electricity. Transfers are expected to decrease from R20.1 billion in 2008/09 to R13.2 billion in 2011/12, at an average annual rate of 13 per cent, due to the phasing out of the Eskom funding.

## Trading entities

### Project development facility

The project development facility is a single function trading entity in National Treasury's public private partnership unit, created in accordance with the Public Finance Management Act (1999). It was created to assist national, provincial and municipal spheres of government to pay for services provided by consultants (transaction advisors) to conduct feasibility studies for public private partnership projects. After the financial close of the project, the funds are recovered from the successful private party bidder, allowing the project development facility to fund further projects.

The facility also disburses technical assistance funds for municipalities to access capital grants from the neighbourhood development partnership grant.

The project development facility receives R6 million a year over the medium term for transaction advisors.

The following table shows project commitments in transactional advisory services for 2009/10.

<b>New funding</b>		
<b>Institution</b>	<b>Project</b>	<b>Funding approved</b>
Greater Tubatse Municipality	Solid waste management	R2 000 000
Eastern Cape Department of Transport	Fleet	R3 780 394
Department of Correctional Services	Fleet	R2 000 000
Thaba Chweu Municipality	Tourism	R750 000
Waterberg District Municipality	Solid waste management	R1 500 000
<b>Total</b>		<b>R10 030 394</b>

## Technical assistance unit

The technical assistance unit is a facility within National Treasury. It was established in 2001, and from April 2008, a trading entity has been operated within the unit. The technical assistance unit trading entity will play a major role in the fields of legislation, institutional and municipal operation and capacity building by ensuring that prudent financial and project management are implemented throughout national, provincial and local government.

The unit will receive transfers of R1 million a year from 2009/10 to 2011/12 from National Treasury. National Treasury is in the process of establishing the unit as a government component and this will affect the governance arrangements of this unit.

## Public entities

### South African Revenue Service

#### Strategic overview: 2005/06 - 2011/12

The South African Revenue Service is mandated to support government in meeting its key growth developmental objectives by facilitating legitimate trade, protecting South African ports of entry and eliminating illegal trade and tax evasion. By administering an efficient tax system, the South African Revenue Service is reducing the compliance burden, ensuring delivery on revenue targets and ensuring good governance and administration.

Key priorities of the *South African Revenue Service* over the MTEF period include implementing new tax policies, instruments and trade policies, and implementing and improving the modernisation programme.

#### *Government's framework for tax policy*

The implementation of government's framework for tax policy began in 2006/07 and was aimed at broadening the tax base, where appropriate. Outcomes are already apparent through lowered tax rates to improve the equity of the tax system, while promoting savings and investment. The main underpinnings of the 2007 tax proposals were: to support economic growth, investment, and job creation; boost business confidence and development; promote financial security for poorer households; and support macroeconomic policy objectives. In 2006/07, government offered total tax relief of R12.4 billion.

#### *Modernisation programme*

In 2007, the South African Revenue Service introduced its modernisation programme. The first phase of the programme, which was launched in 2007/08, included e-filing and focused on the income tax assessment process. This resulted in significant improvement for taxpayers and practitioners: 34 per cent of returns are now processed within 48 hours, compared to only 1.6 per cent in 2006/07. Another outcome was a major increase in electronic filing as the preferred way of submitting tax returns. More than 1 million e-filed returns were submitted compared to only 35 000 in 2006/07.

*Tax collection strategy*

2007/08 saw a temporary slowdown in a cycle of buoyant activity. However, the 2008 Budget cautioned that financial market turbulence and a sharp economic slowdown in the United States would have a negative impact on global economic growth and growth prospects domestically. In this context, the South African Revenue Service still managed to deliver and surpass revenue targets year on year. For 2007/08, revenue collection grew by 16 per cent (R79 billion) to R572.8 billion.

*Border control operations coordination committee*

The South African Revenue Service was also appointed the lead agency in preparing a national integrated border management system in preparation for the 2010 FIFA World Cup. A mobile X-ray container scanner was installed and commissioned at the Durban container terminal, and militarily trained customs border control staff and a new detector dog unit are required in support of the border control operations coordination committee project. SARS is responsible for all the border control committee's operational expenses and funding has been requested for the implementation of the committee's projects over the MTEF period. As lead agency and chair of the committee, the South African Revenue Service is responsible for monitoring all ports of entry, and implementing all the committee's projects and initiatives.

## Selected performance and operations indicators

**Table 7.13 South African Revenue Service**

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Amount of annual revenue collected	R417.3bn	R495.5bn	R572.8bn	R642.3bn	R711.5bn	R777.9bn	R850.6bn
Number of personal income tax returns each year	4 290 175	4 301 865	3 747 376	5 091 963	5 474 249	5 885 237	6 179 499
Number of corporate income tax returns each year	600 869	636 270	442 391	1 558 976	1 131 424	1 267 195	1 330 555
Number of value added tax returns processed each year	3 501 943	3 704 194	3 794 204	4 021 856	4 263 168	4 518 958	4 744 906
Number of pay as you earn returns processed each year	3 739 225	3 995 580	3 977 234	4 215 867	4 468 819	4 736 947	4 973 794
Number of imports bill of entry each year	2 067 867	2 192 853	2 436 690	2 975 114	3 985 503	5 028 402	5 279 822
Number of exports each year	2 705 762	2 807 934	3 135 939	3 675 114	4 685 503	5 818 402	6 109 322

## Service delivery and spending focus

Revenue has grown from R123 billion in 1995/96 to R642 billion in 2008/09, exceeding the revised 2008 Budget of R571.1 billion by R1.8 billion (0.3 per cent). This was achieved in an economic environment characterised by moderate economic growth (from 5 per cent to 5.1 per cent) in 2007/08. Although the economy experienced a temporary slowdown and recession in 2008/09, the South African Revenue Service has projected a 24 per cent increase in revenue collection over the MTEF period.

This represents an average annual growth rate of 14.8 per cent, despite progressive reductions in the tax rates for companies and individuals. The total tax base has grown from 2.4 million taxpayers in 1995/96 to 9 million taxpayers in 2007/08, yielding an average increase of 11.6 per cent. The number of assessments processed has increased significantly, from 4.5 million in 1995/96 to 15.2 million in 2007/08. Import and export value has grown significantly from R229 billion in 1995/96 to R980 billion in 2007/08.

The first phase of the modernisation programme was launched in 2007/08, and resulted in significant improvement in the income tax assessment process. This led to a major increase in electronic filing as a preferred channel for the submission of returns. More than 1 million e-filed returns were submitted in 2007/08 compared to only 35 000 in 2006/07. As a result, the South African Revenue Service managed to reduce the cost/collection ratio from 1.23 per cent in 2005/06 to 1.1 per cent in 2007/08.

The South African Revenue Service continues to model the principles of the Batho Pele programme by providing appropriate services to stakeholders by improving efficiency, channel access, stakeholder contact and core assessment processes. Through education, outreach and marketing, the South African Revenue Service has actively communicated with its stakeholders (taxpayers) to change their understanding and perception of tax obligations and the potential use of different service channels. The outcomes are evident in the successes of the modernisation programme.



Changes to the submission of returns were introduced in 2006/07 through the electronic filing process, which reduced compliance costs and improved service delivery and the risk management process. Other fundamental changes included a move away from issuing cheques for refunds to electronic payments and an improved process for verifying IRP5 information. During 2007/08, a scanning solution was introduced and implemented effectively. The focus was on scanning income tax under review, which increased the number of electronic submissions, and enabled the South African Revenue Service to exceed the target set for processing returns.

The introduction of the modernised returns processing model has helped to address the increased volumes with fewer staff, while improving service delivery. This has resulted in the effective processing of 34 per cent of returns within 2 days and 96 per cent of returns within 90 days.

The South African Revenue Service introduced a dedicated channel of tax practitioners. The call centre was equipped with multiskilled agents to assist with all types of tax queries. A dedicated small business tax amnesty call centre was also established.

## Expenditure estimates

**Table 7.14 SA Revenue Service: Activity information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Taxpayers services and business enablement and delivery	1 741.5	1 703.7	1 722.9	1 861.1	2 162.7	2 335.7	2 522.5
Customs operations	454.7	493.8	532.6	630.9	733.1	791.7	855.1
Enforcement, risk and debt collection	744.5	910.6	1 154.6	1 398.5	1 625.1	1 755.1	1 895.5
South African Revenue Service administration	1 596.1	1 526.2	1 643.7	1 720.5	1 850.0	2 080.2	2 323.9
Modernisation: Business as usual and projects	598.6	521.8	554.2	1 054.6	894.4	1 126.8	1 214.4
<b>Total expense</b>	<b>5 135.4</b>	<b>5 156.1</b>	<b>5 607.9</b>	<b>6 665.5</b>	<b>7 265.3</b>	<b>8 089.6</b>	<b>8 811.4</b>

**Table 7.15 SA Revenue Service: Financial information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Statement of financial performance</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>240.0</b>	<b>281.8</b>	<b>333.1</b>	<b>328.4</b>	<b>270.1</b>	<b>264.2</b>	<b>264.2</b>
<i>Other non-tax revenue</i>	240.0	281.8	333.1	328.4	270.1	264.2	264.2
<b>Transfers received</b>	<b>4 254.3</b>	<b>4 881.7</b>	<b>5 511.0</b>	<b>6 302.8</b>	<b>7 035.5</b>	<b>7 949.0</b>	<b>8 600.2</b>
<b>Total revenue</b>	<b>4 494.3</b>	<b>5 163.4</b>	<b>5 844.1</b>	<b>6 631.2</b>	<b>7 305.6</b>	<b>8 213.2</b>	<b>8 864.4</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>5 135.4</b>	<b>5 156.1</b>	<b>5 607.9</b>	<b>6 665.5</b>	<b>7 265.3</b>	<b>8 089.6</b>	<b>8 811.4</b>
Compensation of employees	2 935.4	3 124.0	3 500.3	4 078.9	4 690.2	5 065.4	5 470.6
Goods and services	1 958.4	1 712.4	1 865.1	2 233.5	2 124.6	2 470.4	2 713.8
Depreciation	239.1	276.3	211.5	316.3	409.7	508.4	627.0
Interest, dividends and rent on land	2.5	43.4	31.0	36.7	40.8	45.3	—
<b>Total expenses</b>	<b>5 135.4</b>	<b>5 156.1</b>	<b>5 607.9</b>	<b>6 665.5</b>	<b>7 265.3</b>	<b>8 089.6</b>	<b>8 811.4</b>
<b>Surplus / (Deficit)</b>	<b>(641.1)</b>	<b>7.3</b>	<b>236.2</b>	<b>(34.3)</b>	<b>40.3</b>	<b>123.6</b>	<b>53.0</b>
<b>Statement of financial position</b>							
Carrying value of assets	598.7	577.6	798.6	1 216.9	1 255.0	1 375.7	1 425.2
<i>of which: Acquisition of assets</i>	332.2	321.8	438.4	734.6	450.0	632.0	680.0
Receivables and prepayments	56.1	87.7	79.1	79.0	68.4	68.4	68.4
Cash and cash equivalents	747.4	911.2	1 072.5	627.6	641.9	629.3	600.9
<b>Total assets</b>	<b>1 402.2</b>	<b>1 576.5</b>	<b>1 950.2</b>	<b>1 923.5</b>	<b>1 965.3</b>	<b>2 073.5</b>	<b>2 094.5</b>
Accumulated surplus/deficit	417.4	437.7	673.9	639.6	679.9	803.5	856.5
Borrowings	162.2	518.8	507.6	484.9	470.3	446.8	406.6
Trade and other payables	518.5	342.2	433.8	434.0	442.7	447.1	451.6
Provisions	304.3	277.8	334.9	365.0	372.3	376.0	379.8
<b>Total equity and liabilities</b>	<b>1 402.2</b>	<b>1 576.5</b>	<b>1 950.2</b>	<b>1 923.5</b>	<b>1 965.3</b>	<b>2 073.5</b>	<b>2 094.5</b>
<b>Contingent liabilities</b>	<b>74.0</b>	<b>72.1</b>	<b>69.0</b>	<b>65.5</b>	<b>62.3</b>	<b>60.3</b>	<b>55.5</b>



## Expenditure trends

Funding for the South African Revenue Service comprises a transfer from National Treasury, commission earned on the collection of skills development levies and unemployment insurance contributions, and interest received on any temporary cash balances. The fluctuating trend for non-tax revenue collection has been influenced by interest receivable on temporary cash balances. Transfers received increased from R4.3 billion in 2005/06 to R6.3 billion in 2008/09 mainly to accommodate provisions for customs scanners and capacity building. Revenue largely funds goods and services and compensation of employees. Expenditure on personnel increased at an average annual rate of 11.6 per cent between 2005/06 and 2008/09, and the 15 per cent growth in 2009/10 is to cover capacity building in the areas of customs, small business amnesties and large business centres.

Transfers over the medium term will increase at an average annual rate of 10.9 per cent to R8.6 billion by 2011/12. Spending over the MTEF period will focus on improving the core systems, buying customs scanners, funding the operational budget to lead the border control operations coordination committee, and improving fraud detection and enforcement.

## Development Bank of Southern Africa

### Strategic overview: 2005/06 – 2011/12

The Development Bank of Southern Africa is one of several development finance institutions in South and Southern Africa. Its purpose is to accelerate sustainable socioeconomic development by funding physical, social and economic infrastructure. The bank's core goal is to improve the quality of life of the people of the region. The bank has a five-pronged strategy:

- co-deliver social and economic infrastructure, with a focus on the public sector
- build human and institutional capacity, with a focus on municipalities
- promote broad based economic growth, job creation, cooperation, integration and prosperity, with a focus on identified sectors, geographical areas and projects
- serve as a centre of excellence for development financing and effectiveness
- promote development sustainability, both internally and externally.

### *Siyenza Manje*

In partnership with National Treasury and the South African Local Government Association the Development Bank of Southern Africa is rolling out the Siyenza Manje (We are Doing it Now) flagship project, which was launched in 2006/07. The project deploys experts in engineering, finance, project management and town planning to second and third tier municipalities. By providing these resources, the Siyenza Manje programme aims to unlock municipal infrastructure grants and other funding from the fiscus, and to deploy priority skills in under capacitated municipalities and government departments. The aim is to accelerate the implementation of infrastructure projects, especially in water and sanitation.

Capacity has been bolstered with the deployment of 338 personnel in 2007/08 compared with 97 in the previous year. In 2007/08, the programme was supporting 155 municipalities, a significant increase on the 86 in 2006/07. Training in local government involved 2 676 delegates, including more than 500 delegates from the remaining SADC region participating in the programme.

### *Pan African capacity building platform*

In 2006/07, the Development Bank of Southern Africa and the Agence Française de Développement signed a five-year agreement that will regulate their working relationship in the creation of a joint pan-African capacity building platform. The focus of this agreement is a professional training programme in infrastructure project management, with a specific focus on the energy, water and sanitation, and transport sectors. The Development Bank of Southern Africa and the North West provincial government are making progress with their efforts to eradicate the bucket system and address sanitation backlogs in the province, which is part of this initiative.

### *Accelerated and Shared Growth Initiative for South Africa*

The Development Bank of Southern Africa has been involved in infrastructure initiatives linked to the Accelerated and Shared Growth Initiative for South Africa. These range from water and sanitation to rail and road, ICT, sport and recreation, and housing.

Examples include: the R25 million Hex Valley augmentation water scheme; technical assistance of R1.3 million to BEE participants in the independent power producer projects of the Department of Minerals and Energy; empowerment funding and project debt of R500 million for the Gautrain project; participation in capital raising and re-financing of the N4 toll road amounting to R140 million; approval of a R467 million loan to the second fixed line network operator; disbursement of funds for stadium infrastructure for the 2010 FIFA World Cup and monitoring and controlling systems developed for the construction phase; funding a housing project of R55 million in Polokwane; and an inner city accommodation project worth R54 million in Braamfontein. The bank is a key player in the Accelerated and Shared Growth Initiative for South Africa's Joint Initiative on Priority Skills Acquisition.

In 2006/07, the bank funded the R7.3 million Gillimburg Farming project in Limpopo, which seeks to establish an animal feed company to produce a stable supply of value adding animal feed products, creating 75 new jobs. The bank has also contributed to the funding and technical support of women in construction and supports small, micro and medium enterprises. The bank's loan disbursements are expected to increase from R3.9 billion in 2008 to R6.9 billion in 2012.

### *Focus over the medium term*

Over the next three years, the bank's strategy envisages the investment of R8 billion in Southern Africa and the deployment of 150 experts to develop and implement infrastructure projects. The growth will be on the sectors and projects identified in the Accelerated and Shared Growth Initiative of South Africa, the SADC regional indicative strategic development plan and the New Partnership for Africa's Development short term action plan for infrastructure. The Development Bank of Southern Africa is also involved in infrastructure initiatives ranging from water and sanitation to rail and road, ICT, sport and recreation, and housing.

## Selected performance and operations indicators

**Table 7.16 Development Bank of South Africa**

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total value of disbursements (loans and equity) to infrastructure related projects	R3.1bn	R3.7bn	R3.9bn	R5.6bn	R6.2bn	R6.8bn	R7.2bn
Co-funding ratio (other funding as proportion of bank disbursements) <sup>1</sup>	–	1:5.32	1:1.3	1:1.3	1:1.3	1:1.3	1:1.3
Cost to income ratio	33.7%	34.3%	37%	40%	41%	42%	43%
Total number of learners not employed by the bank trained at Vulindlela Academy	–	436	2 000	3 300	2 700	2 900	3 000
Total number of municipal officials trained at Vulindlela Academy	–	–	–	120	200	300	300
Value of municipality infrastructure grant and other infrastructure expenditure grants implemented in projects	–	–	R2bn	R3.8bn	R4bn	R5bn	R6bn
Total number of municipalities supported	–	20	60	140	160	180	200
Total number of technical projects completed	–	30	200	250	500	750	750
Total number of non-technical projects completed	–	–	160	200	300	300	300

1. For every R1 the bank commits, other organisations commit R5.32 (2006/07).

## Service delivery and spending focus

Since its launch in 2006/07, Siyenza Manje has deployed 158 experts and 79 young graduates to municipalities and government departments to facilitate the proactive initiation and accelerated implementation of priority water and sanitation infrastructure projects.

Through the local organising committee of the 2010 FIFA World Cup partnership, the bank continued to support the host cities with developing infrastructure for the event. In the rest of the region, the bank extended its partnership programmes with institutions such as the African Development Bank, the Agence Française de

Développement and the Bank of Japan. The significant grant funding committed by the Agence Française de Développement in a new skills development partnership with the bank and the Industrial Development Corporation aims to develop approximately 100 skilled public sector delegates annually for deployment across the region.

The bank has maintained a healthy financial position characterised by strong growth in total assets (up by 19 per cent to R33.2 billion), higher net interest margins and sound returns on equity investments. Despite significant development challenges, the bank maintained a strong balance sheet during 2007/08 with its debt to equity ratio growing to 107.6 percent from 88.3 per cent in 2006/07.

The Development Bank of Southern Africa uses a unique social accounting matrix model to estimate the impact of its operations. The impact of the bank's disbursements on the GDP will be about R3 billion, contributing to the creation of 30 000 jobs in South Africa.

## Expenditure estimates

**Table 7.17 Development Bank of Southern Africa: Project information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Disbursements of loan and equity	1 707.0	1 755.2	2 161.3	1 789.5	2 209.7	3 014.3	3 147.6
Siyenza Manje	–	42.2	121.3	365.4	443.6	–	–
Vulindlela Academy	–	–	9.2	19.3	29.0	0.0	0.0
Sustainable Communities	–	–	12.6	60.5	69.0	0.1	0.0
<b>Total expense</b>	<b>1 707.0</b>	<b>1 797.4</b>	<b>2 304.4</b>	<b>2 234.7</b>	<b>2 751.3</b>	<b>3 014.4</b>	<b>3 147.6</b>

**Table 7.18 Development Bank of Southern Africa: Financial information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Statement of financial performance</b>							
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>2 635.4</b>	<b>3 080.2</b>	<b>3 570.3</b>	<b>3 332.7</b>	<b>3 882.8</b>	<b>4 327.4</b>	<b>4 564.9</b>
Sale of goods and services other than capital assets	56.2	46.8	54.1	88.5	112.4	133.0	146.2
<i>of which:</i>							
<i>Sales by market establishments</i>	56.2	46.8	54.1	88.5	112.4	133.0	146.2
Interest on loans	2 579.2	3 033.4	3 516.2	3 244.2	3 770.4	4 194.4	4 418.6
<b>Total revenue</b>	<b>2 635.4</b>	<b>3 080.2</b>	<b>3 570.3</b>	<b>3 332.7</b>	<b>3 882.8</b>	<b>4 327.4</b>	<b>4 564.9</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>1 472.9</b>	<b>1 763.9</b>	<b>2 258.1</b>	<b>2 165.4</b>	<b>2 605.7</b>	<b>2 860.0</b>	<b>2 983.9</b>
Compensation of employees	290.8	346.8	398.4	392.5	439.2	465.5	493.5
Goods and services	115.4	168.0	515.9	365.7	372.0	372.3	397.2
Depreciation	6.8	5.6	5.8	8.4	9.5	13.3	17.8
Interest, dividends and rent on land	1 059.9	1 243.4	1 338.1	1 398.8	1 785.0	2 008.8	2 075.4
<b>Transfers and subsidies</b>	<b>234.1</b>	<b>33.5</b>	<b>46.3</b>	<b>69.3</b>	<b>145.7</b>	<b>154.4</b>	<b>163.7</b>
<b>Total expenses</b>	<b>1 707.0</b>	<b>1 797.4</b>	<b>2 304.4</b>	<b>2 234.7</b>	<b>2 751.3</b>	<b>3 014.4</b>	<b>3 147.6</b>
<b>Surplus / (Deficit)</b>	<b>928.4</b>	<b>1 282.8</b>	<b>1 265.9</b>	<b>1 098.0</b>	<b>1 131.4</b>	<b>1 313.0</b>	<b>1 417.3</b>

**Table 7.18 Development Bank of Southern Africa: Financial information (continued)**

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Statement of financial position</b>							
Carrying value of assets	210.7	283.7	318.5	401.4	410.0	428.3	498.0
of which: Acquisition of assets	32.2	2.7	35.0	91.4	18.0	31.6	87.5
Investments	7 328.6	6 316.8	7 191.6	5 066.9	6 982.9	7 699.3	7 020.8
Loans	17 321.9	20 218.2	23 307.5	26 921.9	30 473.1	32 514.7	34 785.0
Receivables and prepayments	103.5	168.8	114.9	189.4	200.8	212.8	225.6
Cash and cash equivalents	1 454.0	890.4	2 313.8	3 639.4	1 624.9	1 733.9	2 820.1
<b>Total assets</b>	<b>26 418.7</b>	<b>27 877.9</b>	<b>33 246.3</b>	<b>36 219.0</b>	<b>39 691.6</b>	<b>42 588.9</b>	<b>45 349.4</b>
Capital and reserves	13 218.7	14 538.2	15 779.9	16 652.3	18 214.2	19 331.9	20 617.5
Borrowings	12 467.2	12 666.6	16 780.5	18 832.4	20 709.7	22 453.6	23 890.6
Post-retirement benefits	130.9	172.2	195.8	172.2	172.2	172.2	172.2
Trade and other payables	602.0	500.8	490.1	562.2	595.5	631.2	669.1
<b>Total equity and liabilities</b>	<b>26 418.7</b>	<b>27 877.9</b>	<b>33 246.3</b>	<b>36 219.0</b>	<b>39 691.6</b>	<b>42 588.9</b>	<b>45 349.4</b>

### Expenditure trends

The bank's annual expenditure on financial contributions towards development increased over the five-year period from R98.6 million in 2003/04 (or 8 per cent of the operational surplus) to R308.4 million, that is 22 per cent of operational surplus in 2007/08. Current financial budgets and forecasts indicate that this ratio may grow to as much as 45 per cent over the next three years, which is why the bank is paying particular attention to managing its financial risk. Total assets grew by 19.3 per cent to R33.2 billion from 2005/06 to 2007/08, owing mainly to the 19.3 per cent growth in income earning assets. Development loans have grown by 15.8 per cent to R26.9 billion in 2008/09.

## The Land Bank

### Strategic overview: 2005/06 – 2011/12

The Land Bank is an agricultural development finance institution whose mission is to support developing and resource poor farmers by providing them with retail, wholesale, project and micro-finance. As a specialist agricultural financier, the bank's aim is to improve the sector by providing the necessary support, especially for training and capacity building of (development) farmers and the sustainability of the sector.

#### *Turnaround strategy*

Key components of the Land Bank's turnaround strategy to ensure that it delivers on its mandate include a focus on promoting previously disadvantaged individuals in the agriculture sector and promoting sustainable development and BEE in the agricultural sector. The bank's support to previously disadvantaged communities should help government with the redistribution of 30 per cent of agricultural land by 2014, and other land reform objectives.

#### *Focus on development*

The Land Bank is refocusing its strategy on development as core to its business to address its business challenges. With only 4 per cent of loans having gone to development projects, the Land Bank has been unable to grow in line with its mandate as a development finance institution. The new focus will be on improving its financial position and re-aligning the bank's operations with its mandate.

#### *Better financial management*

The Land Bank will put initiatives in place to improve its liquidity position, lengthen the maturity profile of investments, minimise short term refinancing risks, as well as increase rollovers and the issuing of new funding. The biggest concern has been the declining loan book – a decline from R14.1 billion to R12.4 billion. Equity (retained earnings) is set at a healthy R1.8 billion (excluding the government guarantee of R1.5 billion). The

decrease in funds and administration was mainly due to the Micro-Agricultural Financial Institutions of South Africa fund remaining flat because the bank had stopped disbursing funds. Proper procedures and controls had to be put in place to ensure that irregularities could be avoided in future. National Treasury developed a policy that required the Land Bank to maintain fixed and floating assets.

Government has reaffirmed its support to the Land Bank by extending a capital guarantee of R1.5 billion, and a further cash injection of R700 million to support its turnaround strategy and to provide a prudent level of capital adequacy to ensure that the bank fulfils its mandate.

### Selected performance and operations indicators

**Table 9.19 The Land Bank**

Indicator	Past			Current	Projections		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Funds set aside for agricultural development	R421m	R428m	R432m	R586m	R1.186bn	R2.386m	R4.773m
Ratio of expense to income	58.9 %	81 %	74.2 %	129 %	114.8 %	138.1 %	145.5 %
Loan book quality	11.4 %	15.3 %	17.6 %	16.2 %	20 %	20 %	20 %
Net interest margin	–	2.75 %	3.57 %	3.42 %	3.31 %	2.77 %	2.66 %
Capital adequacy ratio (including guarantee from National Treasury)	9.58%	18.41 %	24.46 %	25.32 %	24 %	22.68 %	21.06 %

### Service delivery and spending focus

The Land Bank has made significant progress in regaining investor confidence by refining and stabilising its processes. This is reflected in the longer term funding that the bank is able to obtain in the markets. During 2007/08, the Land Bank grappled with a range of adverse developments. These included low levels of capitalisation and sustainability concerns, which partly emanated from a high number of non-performing loans and write-offs, damage to its reputation and weakening stakeholder confidence, the migration of clients to the private sector, and concerns regarding the alignment of its mandate with government policy.

In 2008, the asset and liability management division of National Treasury conducted two meetings with the Land Bank about progress since the transfer of the Land Bank from the Minister of Agriculture and Land Affairs to the Minister of Finance in 2008/09.

The Land Bank focused on three issues:

- restructuring the bank's operations, based on the recommendations of the McKinsey and the development finance institution review reports
- stabilising the bank, by stabilising its financial and operational position, including identifying new funding sources and adjusting the funding structure, reducing running costs, and boosting the human resource capacity and IT systems
- planning the way forward, by focusing on reworking both the short and long term goals of the bank, the redevelopment and the approval of the corporate plan and turnaround strategy.

### Expenditure estimates

**Table 7.20 Land and Agricultural Bank of South Africa: Objective information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Financing development farmers and related agricultural businesses	1 896.7	1 885.9	1 892.3	2 031.0	1 862.9	1 966.6	2 022.3
<b>Total expense</b>	<b>1 896.7</b>	<b>1 885.9</b>	<b>1 892.3</b>	<b>2 031.0</b>	<b>1 862.9</b>	<b>1 966.6</b>	<b>2 022.3</b>

**Table 7.21 Land and Agricultural Bank of South Africa: Financial information**

R million	Audited outcome			Revised estimate	Medium-term estimate		
Statement of financial performance	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Revenue</b>							
<b>Non-tax revenue</b>	<b>1 962.3</b>	<b>1 875.8</b>	<b>2 062.1</b>	<b>2 283.0</b>	<b>1 928.8</b>	<b>1 940.4</b>	<b>1 934.9</b>
Sale of goods and services other than capital assets	54.0	70.6	31.5	20.5	71.1	76.6	44.8
of which:							
Admin fees	22.0	43.4	27.1	14.0	26.6	28.2	30.0
Sales by market establishments	31.7	26.6	4.4	6.5	44.5	48.4	14.8
Other sales	0.2	0.7	—	—	—	—	—
Interest on loans	1 908.3	1 805.1	2 030.7	2 262.5	1 857.6	1 863.8	1 890.2
<b>Total revenue</b>	<b>1 962.3</b>	<b>1 875.8</b>	<b>2 062.1</b>	<b>2 283.0</b>	<b>1 928.8</b>	<b>1 940.4</b>	<b>1 934.9</b>
<b>Expenses</b>							
<b>Current expense</b>	<b>1 892.5</b>	<b>1 881.6</b>	<b>1 892.3</b>	<b>2 031.0</b>	<b>1 862.9</b>	<b>1 966.6</b>	<b>2 022.3</b>
Compensation of employees	200.9	229.0	234.3	252.8	292.9	309.9	329.4
Goods and services	460.4	365.0	259.3	445.4	343.4	363.8	386.9
Depreciation	9.1	12.3	13.1	7.9	6.1	6.0	6.2
Interest, dividends and rent on land	1 222.1	1 275.3	1 385.6	1 325.0	1 220.5	1 286.9	1 299.8
<b>Transfers and subsidies</b>	<b>4.2</b>	<b>4.3</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total expenses</b>	<b>1 896.7</b>	<b>1 885.9</b>	<b>1 892.3</b>	<b>2 031.0</b>	<b>1 862.9</b>	<b>1 966.6</b>	<b>2 022.3</b>
<b>Surplus / (Deficit)</b>	<b>65.6</b>	<b>(10.1)</b>	<b>169.9</b>	<b>252.0</b>	<b>65.9</b>	<b>(26.2)</b>	<b>(87.4)</b>
<b>Statement of financial position</b>							
Carrying value of assets	230.9	271.3	244.7	242.4	241.7	241.1	241.0
of which: Acquisition of assets	26.6	48.6	4.3	1.6	1.9	1.8	1.9
Investments	1 204.1	1 285.3	274.7	191.9	203.4	215.2	228.7
Loans	14 951.9	15 598.9	14 102.1	12 977.4	14 275.1	14 869.3	15 412.6
Receivables and prepayments	49.9	29.8	6.4	7.0	7.4	7.9	8.3
Cash and cash equivalents	3 249.9	1 118.3	1 444.0	1 884.0	1 997.0	2 102.9	2 235.4
Assets not classified elsewhere	—	—	305.8	328.8	—	—	—
<b>Total assets</b>	<b>19 686.6</b>	<b>18 303.6</b>	<b>16 377.7</b>	<b>15 631.5</b>	<b>16 724.6</b>	<b>17 436.4</b>	<b>18 126.0</b>
Accumulated surplus/deficit	1 693.8	1 696.7	1 709.7	1 961.7	2 027.6	2 001.4	1 914.0
Borrowings	17 589.4	16 195.6	13 554.5	12 298.7	13 528.5	14 204.9	14 915.2
Trade and other payables	198.3	204.2	136.5	129.4	137.2	145.1	154.3
Provisions	205.2	207.0	224.9	495.6	248.0	262.3	278.9
Managed funds	—	—	752.1	746.1	783.4	822.5	863.7
<b>Total equity and liabilities</b>	<b>19 686.6</b>	<b>18 303.6</b>	<b>16 377.7</b>	<b>15 631.5</b>	<b>16 724.6</b>	<b>17 436.4</b>	<b>18 126.0</b>

### Expenditure trends

In 2004/05, the Land Bank recorded total revenue of R2.5 billion, which declined by 10 per cent in 2005/06. In 2006/07, a slight increase was realised when it recorded a 24 per cent increase of R96.6 million. In 2007/08, total revenue closed at R2.1 billion, which is 17.5 per cent below total revenue in 2004/05. This indicates that the Land Bank's revenue is on a declining trend. This is largely due to decreases in interest income because some clients are failing to service their debt. In 2005/06, the Land Bank recorded losses that translated to a negative profit margin of 16.1 per cent. In 2006/07, a slight improvement of 3.1 per cent was recorded in the profit margin. By the end of 2007/08, there was a positive margin of 0.8 per cent when it recorded a net profit of R17.5 million.

The Land Bank's total expenses are mainly driven by personnel costs. On average, these costs make up about 43 per cent of total expenses. This is because as a financial services organisation, its business is human resource driven. The significant increase in expenses in 2008/09 is attributable to accruals that the bank had effected. These costs include professional fees for the clean-up project, anticipated claims against the bank and employee related expenses. These costs are once-off in nature and not expected to recur. Interest income is not expected to increase significantly as a lot of interest might have to be suspended or written off if the current trend in the development loan book persists. However, much effort is going to be channelled towards ensuring that development farmers are assisted and monitored to reduce associated risks.



## Additional tables

**Table 7.A Summary of expenditure trends and estimates per programme and economic classification**

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R million	2007/08		2007/08	2008/09			2008/09
1. Administration	143.7	219.0	177.6	181.6	17.8	199.4	196.1
2. Public Finance and Budget Management	172.4	223.7	212.0	195.9	31.2	227.1	232.0
3. Asset and Liability Management	57.7	76.0	57.8	61.4	8.0	69.3	67.5
4. Financial Management and Systems	722.2	368.7	267.9	540.9	(240.8)	300.1	261.7
5. Financial Accounting and Reporting	82.1	94.1	98.8	105.7	106.5	212.2	208.5
6. Economic Policy and International Financial Relations	86.7	117.2	93.2	82.5	11.3	93.8	91.0
7. Provincial and Local Government Transfers	7 159.3	7 384.3	6 992.7	7 956.7	(18.7)	7 938.0	7 651.7
8. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 338.3	2 238.3	2 176.8	2 352.7	(39.0)	2 313.7	2 296.0
9. Fiscal Transfers	8 945.7	9 027.2	8 889.3	9 840.8	10 229.7	20 070.5	20 070.5
<b>Subtotal</b>	<b>19 708.2</b>	<b>19 748.4</b>	<b>18 966.2</b>	<b>21 318.2</b>	<b>10 106.0</b>	<b>31 424.2</b>	<b>31 075.0</b>
<b>Direct charge against the National Revenue Fund</b>	<b>224 187.4</b>	<b>225 798.5</b>	<b>225 738.6</b>	<b>250 613.0</b>	<b>7 322.9</b>	<b>257 935.9</b>	<b>258 290.9</b>
Provinces equitable share	171 271.4	172 861.5	172 861.5	199 377.0	4 632.9	204 009.9	204 009.9
State debt costs	52 916.0	52 937.0	52 877.1	51 236.0	2 690.0	53 926.0	54 281.0
<b>Total</b>	<b>243 895.6</b>	<b>245 546.9</b>	<b>244 704.7</b>	<b>271 931.2</b>	<b>17 428.9</b>	<b>289 360.1</b>	<b>289 365.9</b>

  

Economic classification							
<b>Current payments</b>	<b>54 134.4</b>	<b>55 306.9</b>	<b>53 742.8</b>	<b>52 352.9</b>	<b>2 534.0</b>	<b>54 886.9</b>	<b>55 196.8</b>
Compensation of employees	317.7	1 640.8	272.7	326.8	(12.5)	314.3	318.3
Goods and services	900.6	729.1	588.3	790.1	(143.5)	646.6	597.5
Interest and rent on land	52 916.0	52 937.0	52 877.1	51 236.0	2 690.0	53 926.0	54 281.0
Financial transactions in assets and liabilities	–	–	4.7	–	–	–	–
<b>Transfers and subsidies</b>	<b>189 749.3</b>	<b>190 209.3</b>	<b>190 948.9</b>	<b>219 566.9</b>	<b>14 896.1</b>	<b>234 463.0</b>	<b>234 159.0</b>
Provinces and municipalities	178 180.7	180 245.8	179 854.2	207 210.7	4 652.2	211 862.9	211 654.4
Departmental agencies and accounts	8 452.5	8 211.3	8 218.6	9 192.5	333.9	9 526.4	9 448.6
Universities and technikons	5.0	5.0	2.3	5.5	–	5.5	5.5
Public corporations and private enterprises	278.6	278.7	222.4	296.8	9 950.0	10 246.8	10 246.8
Foreign governments and international organisations	512.6	594.1	503.8	527.8	14.6	542.4	542.4
Non-profit institutions	0.1	0.1	0.1	0.1	–	0.1	0.1
Households	2 319.8	874.3	2 147.4	2 333.5	(54.6)	2 278.9	2 261.2
<b>Payments for capital assets</b>	<b>11.9</b>	<b>30.7</b>	<b>13.0</b>	<b>11.4</b>	<b>(1.2)</b>	<b>10.1</b>	<b>10.1</b>
Machinery and equipment	11.2	28.6	13.0	10.3	0.1	10.5	10.5
Software and intangible assets	0.7	2.1	–	1.1	(1.4)	(0.3)	(0.3)
<b>Total</b>	<b>243 895.6</b>	<b>245 546.9</b>	<b>244 704.7</b>	<b>271 931.2</b>	<b>17 428.9</b>	<b>289 360.1</b>	<b>289 365.9</b>



**Table 7.B Summary of personnel numbers and compensation of employees**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Permanent and full time contract employees</b>							
Compensation (R million)	196.3	226.6	264.5	307.2	326.6	360.7	386.5
Unit cost (R million)	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Personnel numbers (head count)	710	732	782	897	897	897	897
<b>Interns</b>							
Compensation of interns (R million)	3.1	4.3	8.2	7.1	7.7	8.1	8.6
Unit cost (R million)	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Number of interns	50	55	435	60	60	60	60
<b>Total for department</b>							
<b>Compensation (R million)</b>	199.4	230.9	272.7	314.3	334.2	368.8	395.1
<b>Unit cost (R million)</b>	0.3	0.3	0.2	0.3	0.3	0.4	0.4
<b>Personnel numbers (head count)</b>	760	787	1 217	957	957	957	957

**Table 7.C Summary of expenditure on training**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Compensation of employees (R million)	199.4	230.9	272.7	314.3	334.2	368.8	395.1
Training expenditure (R million)	16.5	9.3	16.1	16.9	33.6	20.9	23.6
Training as percentage of compensation	8.3%	4.0%	5.9%	5.4%	10.0%	5.7%	6.0%
Total number trained in department (head count)	362	884	993	792			
<i>of which:</i>							
Employees receiving bursaries (head count)	60	74	70	46			
Internships trained (head count)	50	55	435	46			
Households receiving bursaries (R million)	–	0.4	0.6	0.8	1.0	1.0	1.1
Households receiving bursaries (head count)	–	18	20	20			

**Table 7.D Summary of conditional grants to provinces and municipalities<sup>1</sup>**

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
R million							
<b>Conditional grants to provinces</b>							
<b>7. Provincial and Local Government Transfers</b>							
Infrastructure grant to provinces	2 984.1	4 983.5	6 026.2	7 384.5	9 249.2	11 314.9	13 091.2
Gautrain loan	–	–	–	–	4 200.0	–	–
Transitional grant: North West	–	–	250.0	–	–	–	–
<b>Total</b>	<b>2 984.1</b>	<b>4 983.5</b>	<b>6 276.2</b>	<b>7 384.5</b>	<b>13 449.2</b>	<b>11 314.9</b>	<b>13 091.2</b>
<b>Conditional grants to municipalities</b>							
<b>7. Provincial and Local Government Transfers</b>							
Local government restructuring grant	255.0	265.0	530.0	–	–	–	–
Financial management grant: Municipalities	132.5	145.3	145.3	180.0	300.0	364.6	384.6
Neighbourhood development partnership grant	–	–	41.2	288.5	582.0	630.0	840.4
<b>Total</b>	<b>387.5</b>	<b>410.3</b>	<b>716.5</b>	<b>468.5</b>	<b>882.0</b>	<b>994.6</b>	<b>1 225.1</b>

1. Detail provided in the Division of Revenue Act (2009)

Table 7.E Summary of donor funding

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand												
<b>Foreign In cash</b>												
European Union	Technical assistance team phase I	Public Finance and Budget Management	3 054	Goods and services	Provided technical and management support to programmes	–	3 045	28	–	–	–	–
Japan Development Corporation Information System	Establish and operationalise a management information system	Public Finance and Budget Management	302	Goods and services	Development Corporation Information System upgrade	77	229	22	–	–	–	–
European Union	Technical assistance team phase II	Public Finance and Budget Management	6 834	Goods and services	Provided technical and management support to various donor funded programmes	3 242	3 592	–	–	–	–	–
Sweden	Collaborative African Budget Reform Initiative	Economic Policy and International Financial Relations	2 428	Goods and services	Organise and participate in annual Africa budget reform workshops	236	344	570	985	–	–	–
Norway	Capacity building for aid effectiveness	Public Finance and Budget Management	4 852	Goods and services	Capacity building of officials on management of aid	–	–	–	–	–	–	–
Canada	Capacity building technical assistance facility	Public Finance and Budget Management	67 349	Goods and services	Provide capacity building to all spheres of government to achieve timely, adequate, gender sensitive, pro-poor service delivery	–	–	8 638	36 449	22 262	–	–
European Union	Financial management improvement	Public Finance and Budget Management	4 141	Goods and services	Raise government's financial management performance	5 127	–	–	–	–	–	–
European Union	International development cooperation support programme	Public Finance and Budget Management	30 000	Goods and services	Official development assistance prioritisation principles and framework and a proactive mobilisation strategy were completed	1 821	–	–	–	–	–	–
European Union	Official development assistance programme	Public Finance and Budget Management	110 000	Goods and services	Leveraging the official development assistance programme to improve outcome orientated delivery systems	–	–	–	5 000	7 000	1 200	–
European Commission	Strengthening the secretariat of the Collaborative Africa Budget Reform Initiative	Economic Policy and International Financial Relations	2 390	Goods and services	Technical and logistical support personnel recruited	–	–	–	–	2 390	–	–
African Development Bank	Strengthening budget practices and procedures in Africa	Economic Policy and International Financial Relations	1 007	Goods and services	Establish budget resource centre, conduct research on regional public goods, and publish report on budget practices and procedures	–	–	–	–	1 007	–	–

Table 7.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome				Estimate	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08	2008/09		2009/10	2010/11	2011/12
R thousand													
<b>Foreign In cash</b>													
Irish Aid	Support of the 5th annual Collaborative Africa Budget Reform Initiative seminar	Economic Policy and International Financial Relations	896	Goods and services	Seminar to be held in April 2009	–	–	–	–	–	896	–	–
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	9 266	Compensation of employees	Salary for project management of the programme	–	–	–	–	–	8 363	913	–
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	786	Goods and services	Operational costs to support the rollout of the implementation of the programme	–	–	–	–	–	724	66	–
<b>In kind</b>													
Department for International Development	Consolidation of municipal transformation programmes	Public Finance and Budget Management	8 038	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	1 000	3 519	3 519	2 500	–	–	–	–
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening local government programme	Public Finance and Budget Management	10 810	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	4 100	3 355	3 355	2 200	–	–	–	–
United Nations Development Programme	Sustainable urban development programme	Public Finance and Budget Management	1 800	Goods and services	Technical assistance in developing guidelines for the management of official development assistance	720	720	360	–	–	–	–	–
United States Agency for International Development	Support for the implementation of the Municipal Finance Management Act (2003)	Public Finance and Budget Management	2 000	Goods and services	Support the implementation of the Municipal Finance Management Act (2003)	2 000	–	–	–	–	–	–	–
	Black economic empowerment review	Economic Policy and International Financial Relations	130	Goods and services	Compiled report on the black economic empowerment review	–	130	130	–	–	–	–	–
	Housing tax incentives	Economic Policy and International Financial Relations	185	Goods and services	Provided housing tax incentives	–	185	185	–	–	–	–	–
	Commission for Gender Equality workshop with University of Cape Town	Economic Policy and International Financial Relations	113	Goods and services	Increased capacity and improved Commission for Gender Equality analysis	–	113	113	–	–	–	–	–
	Labour market vulnerability and social protection	Economic Policy and International Financial Relations	525	Goods and services	Workshops on labour, market vulnerability and social protection	–	5 255	525	–	–	–	–	–
	Economic advice	Public Finance and Budget Management	365	Goods and services	Increased capacity in microeconomic policy analysis	–	365	365	–	–	–	–	–

Table 7.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand												
In kind												
United States Agency for International Development	Funding of guidelines on consultants and collaboration (public private partnership unit)	Public Finance and Budget Management	10 839	Goods and services	Published guidelines on consultants and collaboration on the public private partnership unit's website	3 258	2 839	2 839	—	—	—	—
						215	—	—	—	—	—	—
	Support for economic growth and analysis	Economic Policy and International Financial Relations	215	Goods and services	Scholarships and study aids for students completing identified fields in economics	1 005	—	—	—	—	—	—
						2 561	—	—	—	—	—	—
	Support for economic growth and analysis	Public Finance and Budget Management	2 561	Goods and services	Technical expertise to assist in the development of new data	4 814	—	—	—	—	—	—
						—	300	300	—	—	—	—
		Public Finance and Budget Management	1 262	Goods and services	Research on rural land studies conducted	—	1 262	1 262	—	—	—	—
						—	988	988	—	—	—	—
		Economic Policy and International Financial Relations	1 600	Goods and services	Temporary placement of United States Treasury officials at National Treasury	1 600	—	—	—	—	—	—
						147	—	—	—	—	—	—
United States Agency for International Development	Limited scope grant agreement	Public Finance and Budget Management	1 890	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	—	—	—	—	—	—	—
	Limited scope grant agreement	Public Finance and Budget Management	—	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	—	—	377	—	—	—	—

Table 7.E Summary of donor funding (continued)

Donor	Project	Departmental programme name	Amount committed	Main economic classification	Spending focus	Audited outcome			Estimate	Medium-term expenditure estimate		
						2005/06	2006/07	2007/08		2009/10	2010/11	2011/12
R thousand												
<b>In kind</b>												
	Limited scope grant agreement	Public Finance and Budget Management	1 035	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	-	5 076	-	-	-
	Limited scope grant agreement	Public Finance and Budget Management	10 000	Goods and services	Increased collaboration and joint planning approaches with intervention as identified on a yearly basis	-	-	-	-	5 000	-	-
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Strengthening support to the Collaborative Africa Budget Reform Initiative secretariat	Economic Policy and International Financial Relations	4 482	Goods and services	Hold regular dialogues, develop common African positions and establish decision making structures and rules and procedures	-	-	-	-	4 482	-	-
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	38 833	Compensation of employees	Salaries for advisors to support rollout of Public Finance Management Act and Municipal Finance Management Act implementation as objectives of the financial management improvement programme II	-	-	-	-	38 833	-	-
European Union	Financial management improvement programme (II)	Financial Accounting and Reporting	3 178	Goods and services	Operational costs to support rollout of Public Finance Management Act and Municipal Finance Management Act implementation as objectives of the financial management improvement programme II	-	-	-	-	23 599	-	-
<b>Local In kind</b>												
University of Cape Town	Modelling and forecasting	Economic Policy and International Financial Relations	33	Goods and services	Increased capacity and improved microeconomic policy analysis	-	-	-	-	-	-	-
<b>Total</b>			<b>350 531</b>			<b>31 923</b>	<b>21 589</b>	<b>23 654</b>	<b>52 210</b>	<b>114 546</b>	<b>2 179</b>	<b>-</b>

Table 7.F Summary of expenditure on infrastructure

R million	Type of infrastructure	Service delivery outputs	Current project stage	Total project cost	Audited outcome		Adjusted appropriation	Medium-term expenditure estimate			
					2005/06	2006/07		2007/08	2009/10	2010/11	2011/12
Mega projects or programmes (over R300 million per year for a minimum of three years or R900 million total project cost)											
Infrastructure grant to provinces	Roads, clinics, hospitals and schools	Conditional grant to supplement provincial infrastructure projects	Implementation stage	33 655.3	2 984.1	4 983.5	6 276.2	7 384.5	9 249.2	11 314.9	13 091.2
	Social and economic town regeneration plan		Implementation stage	2 354.6	–	50.0	41.2	373.5	661.4	753.8	939.4
Small projects or programmes (costing less than R50 million per annum)											
Refurbishment of 240 Vermeulen Street	Church Square			–	12.9	2.2	3.0	–	–	–	–
Refurbishment of 40 Church Square				–	5.6	–	–	–	–	–	–
Refurbishment of SITA Centurion				–	15.0	–	–	–	–	–	–
Refurbishment of 120 Plein Street				–	–	–	6.8	–	–	–	–
Refurbishment of 28 Church Square				–	–	–	–	–	10.0	–	–
Total				36 009.9	3 017.6	5 035.7	6 327.3	7 768.0	9 910.6	12 068.7	14 030.6